

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2015

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2015**

**EXECUTIVE MAYOR
SPEAKER**

Alderman KD Molusi
Councillor OM Matika

GRADING OF THE LOCAL AUTHORITY:

Grade 4 NC091

AUDITORS:

Auditor-General of South Africa
Block 1 Montrie Corporate Park
10 Oliver Road
Monument Heights
Kimberley
8301
Telephone 053-8311016
Fax 053-8326277
Private Bag X5013
Kimberley
8300

BANKERS:

Standard Bank
Old Main Road
Kimberley
8301
Telephone 053-8078215
Fax 053-8078173
P.O. Box 626
Kimberley
8300

REGISTERED OFFICE:

Civic Centre
Sol Plaatje Drive
Kimberley
8301
Telephone 053-8306911
Fax 053-8331005
Private Bag X5030
Kimberley
8300

MUNICIPAL MANAGER:

Mr G Akharwaray B.Proc.LLB, Certificate in Management

CHIEF FINANCIAL OFFICER:

Me ZL Mahloko B.Comm Hons

MEMBERS OF COUNCIL:

Councillor

Ward

| | | |
|-----------------|---------------|----------------------|
| 1 Settley VV | 12 Tong KM | 23 Doman WP |
| 2 Rosen MS | 13 Hale EK | 24 Van Der Merwe DJP |
| 3 Lewis CB | 14 Askin LA | 25 Fourie OC |
| 4 Selao OG | 15 Mpampi ZJ | 26 Moseki OR |
| 5 Matsio FF | 16 Stout BJ | 27 Koopman GT |
| 6 Mothibi MK | 17 Modise AA | 28 Visagie GE |
| 7 Morwe RT | 18 Mathe EM | 29 Springbok B |
| 8 Ngoma TC | 19 Jabetla AK | 30 Pienaar D |
| 9 Chinkuli DS | 20 Pitt DH | 31 Nhlapo MG |
| 10 Tsimakwane E | 21 Louw PJF | |
| 11 Thabane MP | 22 Steyn L | |

Councillor

Proportional

| | | |
|------------------|------------------|-----------------|
| 1 Bauser R (Ald) | 11 Lekoma MD | 21 Ndlazi SP |
| 2 Beylefeld MJ | 12 Leven MM | 22 Ngobeza WN |
| 3 Bishop PD | 13 Liebenberg R | 23 Ntlhangula A |
| 4 Boqo AN | 14 Ludick RA | 24 Patmore CTP |
| 5 Dawids RM | 15 Mazabane J | 25 Setlhabi EK |
| 6 Diraditsile MV | 16 Mogorosi SR | 26 Strauss PAS |
| 7 Frans T | 17 Mohapanele KC | 27 Vilakazi PM |
| 8 Jacobs M | 18 Morris RT | 28 Voster PJ |
| 9 Johnson E | 19 Morudi GD | 29 Wyngaard FA |
| 10 Khunkhube FT | 20 Mthukwane KG | |

SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 81, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

GH Akharwaray
Municipal Manager
28 August 2015

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2015

| | Note | 2015 R | 2014 R | 2015 Budget R |
|--|------|----------------------|----------------------|----------------------|
| ASSETS | | | | |
| Current Assets | | 993 933 909 | 951 838 015 | 751 807 143 |
| Inventory | 2 | 32 887 325 | 23 407 105 | 21 663 737 |
| Trade Receivables from Exchange Transactions | 4 | 262 184 091 | 268 622 421 | 226 536 540 |
| Trade Receivables from Non-Exchange Transactions | 5 | 413 417 155 | 326 278 988 | 228 077 096 |
| Cash and Cash Equivalents | 6 | 275 457 274 | 320 606 825 | 262 936 838 |
| Operating Lease Assets | 7 | 72 186 | 92 070 | 102 375 |
| Vat Receivable from Exchange Transactions | 8 | 9 915 879 | 12 830 607 | 12 490 557 |
| Non-Current Assets | | 1 577 596 456 | 1 445 640 318 | 1 581 718 990 |
| Property, Plant and Equipment | 9 | 1 370 809 915 | 1 235 148 117 | 1 377 414 656 |
| Heritage Assets | 9 | 6 801 944 | 6 801 944 | 6 801 943 |
| Intangible Assets | 10 | 3 244 624 | 1 098 305 | 2 874 119 |
| Investment Property | 11 | 194 623 613 | 201 755 728 | 189 999 792 |
| Trade Receivables from Exchange Transactions | 4 | 1 701 033 | 707 754 | 4 628 480 |
| Trade Receivables from Non-Exchange Transactions | 5 | 415 327 | 128 470 | - |
| Total Assets | | 2 571 530 366 | 2 397 478 334 | 2 333 526 133 |
| LIABILITIES | | | | |
| Current Liabilities | | 231 162 298 | 245 852 259 | 230 325 806 |
| Consumer Deposits | 13 | 21 848 411 | 16 684 134 | 18 113 022 |
| Provisions | 14 | 7 448 000 | 7 465 000 | 8 038 598 |
| Payables from Exchange Transactions | 15 | 139 017 787 | 169 064 124 | 164 033 513 |
| Unspent Conditional Grants and Receipts | 16 | 31 651 158 | 2 593 813 | - |
| Vat Payable from Exchange Transactions | 17 | 20 314 935 | 20 909 631 | 16 645 763 |
| Bank Overdraft | 6 | - | 15 407 715 | 12 444 224 |
| Current Portion of Long-term Liabilities | 18 | 10 882 007 | 13 727 843 | 11 050 686 |
| Non-Current Liabilities | | 440 256 329 | 482 035 895 | 502 440 888 |
| Long-term Liabilities | 18 | 226 818 398 | 237 719 460 | 214 735 891 |
| Retirement Benefit Liabilities | 19 | 169 481 000 | 196 874 000 | 236 463 943 |
| Non-current Provisions | 20 | 43 956 931 | 47 442 435 | 51 241 054 |
| Total Liabilities | | 671 418 627 | 727 888 154 | 732 766 694 |
| Total Assets and Liabilities | | 1 900 111 738 | 1 669 590 179 | 1 600 759 439 |
| NET ASSETS | | 1 900 111 738 | 1 669 590 179 | 1 600 759 439 |
| Accumulated Surplus | 21 | 1 900 111 738 | 1 669 590 179 | 1 600 759 439 |
| Total Net Assets | | 1 900 111 738 | 1 669 590 179 | 1 600 759 439 |

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2015

| Budget 2014 R | Budget 2015 R | | Note | Actual 2015 R | Actual 2014 R |
|--|----------------------|--|------|----------------------|----------------------|
| REVENUE | | | | | |
| Revenue from Non-exchange Transactions | | | | | |
| 367 940 837 | 397 946 459 | Property Rates | 22 | 398 920 589 | 368 225 172 |
| 7 633 800 | 11 635 300 | Fines | | 12 011 428 | 11 553 669 |
| 3 259 000 | 2 672 000 | Licences and Permits | | 2 955 091 | 2 708 266 |
| 3 650 000 | 4 900 000 | Income for Agency Services | | 5 037 994 | 4 339 326 |
| 312 321 389 | 300 252 651 | Government Grants and Subsidies Received | 26 | 282 036 220 | 306 753 898 |
| - | - | Public Contributions and Donations | 27 | 3 812 828 | 720 724 |
| Revenue from Exchange Transactions | | | | | |
| 850 233 192 | 907 895 397 | Service Charges | 24 | 888 147 879 | 837 242 575 |
| 15 865 790 | 17 606 040 | Rental of Facilities and Equipment | 25 | 16 373 950 | 17 795 073 |
| 12 000 000 | 16 000 000 | Interest Earned - External Investments | 23 | 21 164 955 | 21 412 753 |
| 48 000 000 | 65 000 000 | Interest Earned - Outstanding Debtors | 23 | 73 076 752 | 56 744 324 |
| 68 960 318 | 82 398 622 | Other Income | 28 | 33 704 935 | 37 473 817 |
| - | - | Gains on Disposal of Property, Plant and Equipment | | 657 947 | 275 336 |
| 1 689 864 326 | 1 806 306 469 | Total Revenue | | 1 737 900 569 | 1 665 244 933 |
| EXPENDITURE | | | | | |
| 498 334 358 | 551 623 564 | Employee Related Costs | 29 | 463 300 811 | 474 749 079 |
| 18 806 643 | 19 967 560 | Remuneration of Councillors | 30 | 19 841 066 | 18 459 181 |
| 1 100 000 | 1 800 000 | Collection Costs | | 1 061 059 | 998 426 |
| 49 150 000 | 52 550 000 | Depreciation and Amortisation | 31 | 46 080 952 | 42 522 237 |
| 133 000 000 | 145 000 000 | Impairment Losses | 32 | 143 165 133 | 126 810 256 |
| 84 659 979 | 90 735 457 | Repairs and Maintenance | | 82 513 405 | 62 242 104 |
| 32 717 953 | 34 559 195 | Finance Costs | 33 | 30 458 023 | 28 056 345 |
| 399 000 000 | 425 000 000 | Bulk Purchases | 34 | 404 460 624 | 381 004 928 |
| 54 428 000 | 55 370 000 | Grants and Subsidies Paid | 35 | 58 193 634 | 19 564 339 |
| 293 074 979 | 320 500 615 | General Expenses | 36 | 250 650 967 | 247 675 447 |
| - | - | Impairment of Property, Plant and Equipment | | 7 653 334 | - |
| 1 564 271 912 | 1 697 106 391 | Total Expenditure | | 1 507 379 010 | 1 402 082 341 |
| 125 592 414 | 109 200 078 | SURPLUS FOR THE YEAR | | 230 521 559 | 263 162 591 |
| Refer to Appendix E(1) for explanation of budget variances | | | | | |

SOL PLAATJE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2015

| Description | Note | Accumulated Surplus Account | | | | Total for Accumulated Surplus Account | Total |
|---|------|----------------------------------|------------------------|-------------------|----------------------|---------------------------------------|----------------------|
| | | Capital Replacement Reserve(CRR) | Self Insurance Reserve | COID Reserve | Accumulated Surplus | | |
| 2014 | | R | R | | R | R | R |
| Balance at 30 June 2013 | 39 | 103 605 001 | 18 878 398 | 9 231 523 | 1 284 324 824 | 1 416 039 746 | 1 416 039 746 |
| Correction of Error | | | | | (9 612 157) | (9 612 157) | (9 612 157) |
| Restated Balance | | 103 605 001 | 18 878 398 | 9 231 523 | 1 274 712 667 | 1 406 427 588 | 1 406 427 588 |
| Surplus for the year | | | | | 263 162 591 | 263 162 591 | 263 162 591 |
| Transfer to Capital Replacement Reserve | | 42 255 269 | | | (42 255 269) | - | - |
| Property, Plant and Equipment purchased | | (57 180 422) | | | 57 180 422 | - | - |
| Contribution to Insurance Reserve | | | 3 998 562 | 258 148 | (4 256 711) | - | - |
| Balance at 30 June 2014 | | 88 679 848 | 22 876 960 | 9 489 671 | 1 548 543 700 | 1 669 590 179 | 1 669 590 179 |
| 2015 | | | | | | | |
| Restated Balance | | 88 679 848 | 22 876 960 | 9 489 671 | 1 548 543 700 | 1 669 590 179 | 1 669 590 179 |
| Surplus for the year | | | | | 230 521 559 | 230 521 559 | 230 521 559 |
| Transfer to Capital Replacement Reserve | | 75 000 000 | | | (75 000 000) | - | - |
| Property, Plant and Equipment purchased | | (90 369 209) | | | 90 369 209 | - | - |
| Contribution to Insurance Reserve | | | 329 200 | 705 919 | (1 035 119) | - | - |
| Balance at 30 June 2015 | | 73 310 638 | 23 206 160 | 10 195 590 | 1 793 399 350 | 1 900 111 738 | 1 900 111 738 |

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2015

| | Note | Actual 2015 R | Actual 2014 R | Budget 2015 R |
|---|------|----------------------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash receipts from Ratepayers, Government and Other | 41 | 1 446 910 507 | 1 249 982 166 | 1 557 691 000 |
| Cash paid to Suppliers and Employees | 41 | 1 328 782 566 | 1 123 053 749 | 1 383 735 000 |
| Cash generated from / (utilised in) Operations | 41 | 118 127 940 | 126 928 417 | 173 956 000 |
| Interest received | 23 | 94 241 707 | 78 157 078 | 23 250 000 |
| Interest paid | 33 | (30 458 023) | (28 056 345) | (36 559 000) |
| NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES | | 181 911 624 | 177 029 149 | 160 647 000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Property, Plant and Equipment | 9 | (194 372 038) | (240 086 666) | (131 183 000) |
| Purchase of Intangible Assets | 10 | (3 534 525) | (208 165) | |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | | (197 906 563) | (240 294 831) | (131 183 000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| New Loans raised | | - | 64 803 069 | |
| Loans repaid | | (13 746 898) | (20 303 318) | (15 827 000) |
| NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES | | (13 746 898) | 44 499 751 | (15 827 000) |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 6 | (29 741 836) | (18 765 931) | 13 637 000 |
| Cash and Cash Equivalents at the beginning of the year | | 305 199 110 | 323 965 041 | 236 901 000 |
| Cash and Cash Equivalents at the end of the year | | 275 457 274 | 305 199 110 | 250 538 000 |

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(continued)

1. 2. 1 Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs are based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 4 in the annual financial statements.

1. 2. 3 Budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. All material differences are explained in the notes/appendices to the annual financial statements.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets & inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy" on "Intangible assets - subsequent measurement, amortisation and impairment" and accounting policy on "Inventory - Subsequent measurement" describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of cost and net realisable values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets and financial liabilities

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets and financial liabilities recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 2. 8 Useful lives of property, plant and equipment

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 Financial Instruments.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 32 Service Concession arrangements: Grantor
- GRAP 108 Statutory receivables
- GRAP 109 Accounting by Principals and Agents

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following GRAP standards became effective during the financial year ended 30 June 2015:

- GRAP 105 Transfers between entities under common control - Issued November 2010
- GRAP 106 Transfers between entities not under common control - Issued November 2010
- GRAP 107 Mergers - Issued November 2010

The impact of above standards becoming effective has been considered by management. The impact (if any) of these new effective standards has been disclosed in Note 39 of the financial statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

2. STATUTORY FUNDS AND RESERVES

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. STATUTORY FUNDS AND RESERVES (Continued)

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets. The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality;
- and
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

The useful lives of items of property, plant and equipment have been assessed as follows:

| <i>Item</i> | <i>Years</i> |
|--|---------------------|
| Buildings | 30 |
| Furniture and fixtures | 5 - 15 |
| Motor vehicles | 5 - 20 |
| Computer equipment | 5 - 7 |
| Infrastructure | |
| - Roads and paving | 1 - 50 |
| - Electricity | 1 - 82 |
| - Water | 1 - 120 |
| - Sewerage | 1 - 100 |
| - Landfill sites | 25 - 30 |
| - Storm water | 1 - 60 |
| - Streetlights | 1 - 40 |
| Community Buildings | |
| - Recreational facilities | 30 |
| - Security | 3 - 15 |
| Machinery and equipment | 4 - 15 |
| Other items of property, plant and equipment | 2 - 15 |
| Specialised plant and equipment | 2 - 15 |
| Bins and containers | 5 |
| Specialised vehicles | 5 - 15 |
| Water network | 15 |
| Land | Indefinite |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc.) and according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are not classified as revenue. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 9 Impairment of assets

3. 9. 1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 9. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9. 2 Impairment of Non-Cash generating assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21/ 26.

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4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is available for use, unless stated otherwise.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property e.g. (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. e.g. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as property, plant and equipment or Inventory, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

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5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. FINANCIAL INSTRUMENTS

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. After initial recognition financial assets are measured at amortised cost using the effective interest rate method less the provision for impairment.

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

derivatives;

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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6. FINANCIAL INSTRUMENTS (continued)

The municipality has the following types of financial assets of the face of the State of Financial Position:

| Class | Category |
|--|--|
| Non - current Investments | Financial asset measured at amortised cost |
| Long-term receivables | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Bank, cash and cash equivalents | Financial asset measured at amortised cost |
| Current Portion of Non-current Investments | Financial asset measured at amortised cost |
| Current Portion of Long-term receivables | Financial asset measured at amortised cost |

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered with institutions with maturities of three months or less and are subject to an insignificant risk of change in value. for the purposes of cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks nett of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured

| Class | Category |
|--|--|
| Long-term Liabilities | Financial liability measured at amortised cost |
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Payables from non- exchange transactions | Financial liability measured at amortised cost |
| Bank Overdraft | Financial liability measured at amortised cost |
| Short-term Loans | Financial liability measured at amortised cost |
| Current portion of long-term liabilities | Financial liability measured at amortised cost |

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk is disclosed.

A sensitivity analysis for each of the market risks is done.

Credit risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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7. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

7. 1 Finance leases - Municipality as lessee

- Effective interest rate method
- Derecognition
- Finance cost expensed when incurred

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The

Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

7. 3 Operating leases - Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, W/P ,water inventory, unsold properties and other arrangements.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

9. NON-CURRENT ASSETS HELD-FOR-SALE

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position.

Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.

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10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

10 1. Revenue from Exchange Transactions

10 1. 1. *Service Charges*

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.1 2 *Prepaid electricity*

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10.1 3 *Finance income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment.

10.1. 4 *Tariff charges*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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10. REVENUE RECOGNITION (continued)

10. 1. 5 *Income from Agency Services*

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 1. 6 *Sale of goods (including houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 1. 7 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

10. 2. *Revenue from non -exchange transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

10. 2. 1 *Rates and Taxes*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10. 2. 2 *Fines*

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on an accrual basis based on IGRAP 1.

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

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10. REVENUE RECOGNITION (continued)

10.2.2 Fines (continued)

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10.2.3 Debt forgiveness

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

10.2.4 Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

10.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.6 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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11. PROVISIONS AND CONTINGENCIES (continued)

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

11.1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

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12. EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

12. 1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

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12. EMPLOYEE BENEFITS (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

12.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

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12. EMPLOYEE BENEFITS (continued)

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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12. EMPLOYEE BENEFITS (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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12. EMPLOYEE BENEFITS (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

13. BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred.

14. IMPAIRMENT

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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14.1 Impairment of Cash generated Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

14.2 Impairment of Non-Cash generated assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15. 1. Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation,

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), transaction is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15. 2. Subsequent measurement

Subsequent expenditure relating to heritage assets capitalised if it is probable that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised if it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

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19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

(a) MFMA number 56 of 2003

(b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure are expenditure described as per the Municipal Finance Management Act.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to notes for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

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23. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

24. TRANSLATION TO FOREIGN CURRENCIES

24.1 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
 - Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
 - Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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1. GENERAL INFORMATION

Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.

2. INVENTORY

| | | |
|----------------------------|--------------------------|--------------------------|
| Inventory Stores - at cost | 23 973 031 | 22 207 829 |
| Inventory Land | 6 914 802 | - |
| Water - at cost | 1 999 491 | 1 199 276 |
| Total Inventory | <u>32 887 325</u> | <u>23 407 105</u> |

The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:

130 845 131 698

The cost of Inventories recognised as an expense during the period was:

45 846 873 38 300 202

3. ASSETS HELD-FOR-SALE

Included in the property, plant and equipment figure on the balance sheet, are the following amounts relating to non current assets that is intended for sale within the next 12 months:

| | | |
|---|-----------------------|-----------------------|
| Other Assets Held-for-Sale | 141 858 | 141 858 |
| Net Assets classified as Held-for-Sale | <u>141 858</u> | <u>141 858</u> |

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | Gross Balances | Provision for Impairment | Net Balances |
|-------------------------------|---------------------------|-----------------------------|---------------------------|
| As at 30 June 2015 | | | |
| Service Debtors: | 875 843 111 | 620 293 069 | 255 550 042 |
| Electricity | 119 183 264 | 84 408 442 | 34 774 822 |
| Refuse | 56 107 457 | 39 736 645 | 16 370 812 |
| Sewerage | 69 849 990 | 49 469 436 | 20 380 554 |
| Water | 254 855 747 | 180 494 945 | 74 360 803 |
| Miscellaneous | 375 846 653 | 266 183 602 | 109 663 051 |
| Market | 1 024 855 | 725 827 | 299 028 |
| Housing Debtors | 27 541 856 | 19 505 802 | 8 036 054 |
| Total Consumer Debtors | <u>904 409 822</u> | <u>640 524 698</u> | <u>263 885 124</u> |
| Non current portion | (1 701 033) | | (1 701 033) |
| Total Consumer Debtors | <u>902 708 789</u> | <u>640 524 698</u> | <u>262 184 091</u> |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

| | Gross Balances | Provision for Impairment | Net Balances |
|-------------------------------|--------------------|-----------------------------|--------------------|
| As at 30 June 2014 | | | |
| Service Debtors: | 792 022 953 | 530 486 676 | 261 536 277 |
| Electricity | 120 299 205 | 81 360 691 | 38 938 514 |
| Refuse | 50 672 967 | 34 271 113 | 16 401 854 |
| Sewerage | 63 811 662 | 43 157 067 | 20 654 594 |
| Water | 233 760 953 | 152 771 613 | 80 989 340 |
| Miscellaneous | 323 478 166 | 218 926 190 | 104 551 975 |
| Market | 846 002 | 572 167 | 273 834 |
| Housing Debtors | 23 232 978 | 15 712 915 | 7 520 063 |
| Total Consumer Debtors | 816 101 933 | 546 771 758 | 269 330 175 |
| Non current portion | (707 754) | | (707 754) |
| Total Consumer Debtors | 815 394 179 | 546 771 758 | 268 622 421 |

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair value.

| | 2015 R | 2014 R |
|---------------------------------------|--------------------|--------------------|
| 4.1 Ageing of Consumer Debtors | | |
| Electricity: Ageing | | |
| <u>Current:</u> | | |
| 0 - 30 days | 43 823 966 | 46 626 559 |
| <u>Past Due:</u> | | |
| 31 - 60 Days | 6 735 450 | 7 170 885 |
| 61 - 90 Days | 4 222 090 | 4 695 448 |
| + 90 Days | 64 401 758 | 61 806 313 |
| Total | 119 183 264 | 120 299 205 |
| Refuse: Ageing | | |
| <u>Current:</u> | | |
| 0 - 30 days | 3 100 024 | 3 239 456 |
| <u>Past Due:</u> | | |
| 31 - 60 Days | 1 839 427 | 2 009 283 |
| 61 - 90 Days | 1 716 942 | 1 835 741 |
| + 90 Days | 49 451 064 | 43 588 488 |
| Total | 56 107 457 | 50 672 967 |
| Sewerage: Ageing | | |
| <u>Current:</u> | | |
| 0 - 30 days | 3 844 598 | 4 211 180 |
| <u>Past Due:</u> | | |
| 31 - 60 Days | 2 401 357 | 2 703 217 |
| 61 - 90 Days | 2 266 944 | 2 475 057 |
| + 90 Days | 61 337 090 | 54 422 208 |
| Total | 69 849 990 | 63 811 662 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|--------------------|--------------------|
| 4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued) | | |
| <i>Water: Ageing</i> | | |
| <i>Current:</i> | | |
| 0 - 30 days | 41 677 430 | 25 859 704 |
| <i>Past Due:</i> | | |
| 31 - 60 Days | 13 343 033 | 10 995 212 |
| 61 - 90 Days | 9 612 442 | 10 141 843 |
| + 90 Days | 190 222 842 | 186 764 195 |
| Total | 254 855 747 | 233 760 953 |
| <i>Miscellaneous: Ageing</i> | | |
| <i>Current:</i> | | |
| 0 - 30 days | 18 293 983 | 14 691 830 |
| <i>Past Due:</i> | | |
| 31 - 60 Days | 11 240 620 | 8 931 013 |
| 61 - 90 Days | 9 759 189 | 8 245 243 |
| + 90 Days | 337 577 716 | 292 456 081 |
| Total | 376 871 508 | 324 324 167 |
| <i>Housing Rentals: Ageing</i> | | |
| <i>Current:</i> | | |
| 0 - 30 days | 525 910 | 540 545 |
| <i>Past Due:</i> | | |
| 31 - 60 Days | 459 371 | 465 022 |
| 61 - 90 Days | 452 014 | 455 568 |
| + 90 Days | 26 104 561 | 21 771 843 |
| Total | 27 541 856 | 23 232 978 |

4.2 Summary of Consumer Debtors by Customer Classification (Exchange and Non-Exchange Transactions)

| | Household R | Industrial/ Commercial R | National and Provincial Government R | Total R |
|---|--------------------|--------------------------------|---|--------------------|
| As at 30 June 2015 | | | | |
| <i>Current:</i> | | | | |
| 0 - 30 days | 71 237 583 | 40 153 210 | 15 925 234 | 127 316 027 |
| <i>Past Due:</i> | | | | |
| 31 - 60 Days | 24 418 449 | 14 165 956 | 4 133 994 | 42 718 399 |
| 61 - 90 Days | 21 238 622 | 7 841 840 | 4 637 029 | 33 717 491 |
| + 90 Days | 575 941 837 | 145 232 690 | 312 062 342 | 1 033 236 869 |
| Sub-total | 692 836 491 | 207 393 696 | 336 758 599 | 1 236 988 785 |
| Less: Provision for Impairment | 363 271 836 | 108 741 802 | 176 571 119 | 648 584 757 |
| Total Debtors by Customer Classification | 329 564 655 | 98 651 894 | 160 187 480 | 588 404 029 |
| As at 30 June 2014 | | | | |
| <i>Current:</i> | | | | |
| 0 - 30 days | 75 047 409 | 33 706 319 | 10 699 698 | 119 453 426 |
| <i>Past Due:</i> | | | | |
| 31 - 60 Days | 25 766 033 | 8 732 823 | 4 210 802 | 38 709 658 |
| 61 - 90 Days | 21 940 494 | 7 261 740 | 4 223 676 | 33 425 910 |
| + 90 Days | 539 337 098 | 118 475 225 | 204 449 983 | 862 262 306 |
| Sub-total | 662 091 034 | 168 176 107 | 223 584 159 | 1 053 851 300 |
| Less: Provision for Impairment | 348 707 027 | 84 398 494 | 117 716 407 | 550 821 928 |
| Total Debtors by Customer Classification | 313 384 007 | 83 777 613 | 105 867 752 | 503 029 372 |

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the opinion that the current debtors is fully recoverable.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|--------------------|--------------------|
| 4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued) | | |
| 4.3 Reconciliation of the Provision for Impairment | | |
| Balance at beginning of year | 550 821 928 | 428 605 245 |
| Impairment Losses recognised | 149 009 888 | 137 050 170 |
| Amounts written off as uncollectable | (56 467 179) | (15 429 796) |
| Amounts reversed | 5 220 119 | 596 309 |
| Balance at end of year | 648 584 757 | 550 821 928 |

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

4.4 Ageing of impaired Consumer Debtors

| | | |
|--------------|--------------------|--------------------|
| 0 - 30 Days | 3 155 537 | 2 679 895 |
| 31 - 60 Days | 2 406 992 | 2 044 180 |
| 61 - 90 Days | 2 103 724 | 1 786 625 |
| + 90 Days | 640 918 503 | 544 311 229 |
| Total | 648 584 757 | 550 821 928 |

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|--------------------------------|--------------------|--------------------|
| Assessment Rates | 332 578 964 | 237 749 367 |
| Government Subsidy Claims | 16 818 525 | 78 807 956 |
| Miscellaneous debtors | 58 030 472 | 6 802 100 |
| Traffic Fines | 14 464 580 | 7 098 205 |
| | 421 892 541 | 330 457 628 |
| Less: Provision for Impairment | (8 060 058) | (4 050 170) |
| Total Other Debtors | 413 832 482 | 326 407 458 |
| Non current portion | (415 327) | (128 470) |
| Total Other Debtors | 413 417 155 | 326 278 988 |

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

5.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

| | | |
|-------------|------------|------------|
| 0 - 30 days | 18 358 067 | 15 615 100 |
|-------------|------------|------------|

Past Due:

| | | |
|--------------|--------------------|--------------------|
| 31 - 60 Days | 6 643 830 | 6 427 147 |
| 61 - 90 Days | 5 680 350 | 5 564 576 |
| + 90 Days | 301 896 717 | 210 142 544 |
| Total | 332 578 964 | 237 749 367 |

6. CASH AND CASH EQUIVALENTS

| | | |
|--|--------------------|--------------------|
| Cash and Cash Equivalents | 257 897 305 | 320 606 825 |
| Bank/(Bank Overdraft) | 17 559 969 | (15 407 715) |
| Total Cash and Cash Equivalents | 275 457 274 | 305 199 110 |

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|---|--------------------|--------------------|
| 6. CASH AND CASH EQUIVALENTS (Continued) | | |
| 6.1 Current Investment Deposits | | |
| Call Deposits | 79 420 316 | 6 200 000 |
| Notice Deposits | 178 460 169 | 314 391 355 |
| Total Current Investment Deposits | 257 880 485 | 320 591 355 |

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4.05% to 6.35% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 6.1% to 7.45% per annum.

A fixed deposit of R2,460,169 (2014: R2,418,222) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 (2014: R20,973,203) was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

6.2 Bank Accounts

Cash book balance

| | | |
|--|-------------------|---------------------|
| Cash book balance at beginning of year | (15 407 715) | (12 595 368) |
| Cash book balance at end of year | <u>17 559 969</u> | <u>(15 407 715)</u> |

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

| | | |
|---|------------|------------|
| Bank statement balance at beginning of year / (overdrawn) | 24 430 080 | 14 461 800 |
|---|------------|------------|

| | | |
|---|------------|------------|
| Bank statement balance at end of year / (overdrawn) | 51 073 577 | 24 430 080 |
|---|------------|------------|

Sub account -Resort 040039072

| | | |
|---|---|---|
| Bank statement balance at beginning of year / (overdrawn) | - | - |
|---|---|---|

| | | |
|---|---|---|
| Bank statement balance at end of year / (overdrawn) | - | - |
|---|---|---|

Sub account -Traffic 040036340

| | | |
|---|---|---|
| Bank statement balance at beginning of year / (overdrawn) | - | - |
|---|---|---|

| | | |
|---|---|---|
| Bank statement balance at end of year / (overdrawn) | - | - |
|---|---|---|

Sub account -Stores 040065405

| | | |
|---|---|---|
| Bank statement balance at beginning of year / (overdrawn) | - | - |
|---|---|---|

| | | |
|---|---|---|
| Bank statement balance at end of year / (overdrawn) | - | - |
|---|---|---|

Sub account -Salary 040065391

| | | |
|---|---|---|
| Bank statement balance at beginning of year / (overdrawn) | - | - |
|---|---|---|

| | | |
|---|---|---|
| Bank statement balance at end of year / (overdrawn) | - | - |
|---|---|---|

Sub account -Market 040065383

| | | |
|---|-------|----|
| Bank statement balance at beginning of year / (overdrawn) | (200) | 20 |
|---|-------|----|

| | | |
|---|---|-------|
| Bank statement balance at end of year / (overdrawn) | - | (200) |
|---|---|-------|

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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6. CASH AND CASH EQUIVALENTS (Continued)

6.3 Cash and Cash equivalents

| | | |
|---|---------------|---------------|
| Cash Floats and Advances | 16 820 | 15 470 |
| Cash on hand in Cash Floats, Advances and Equivalents | <u>16 820</u> | <u>15 470</u> |

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair value.

7. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

| | | |
|-------------------------------------|----------------------|----------------------|
| Balance as at 30 June | 92 070 | 91 113 |
| Operating Lease expenses recorded | 475 810 | 454 476 |
| Operating Lease payments effected | <u>(495 694)</u> | <u>(453 520)</u> |
| Total Operating Lease Assets | <u>72 186</u> | <u>92 070</u> |

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

| | | |
|--|---------|--------|
| Rental Revenue earned from Investment Property | 166 349 | 41 169 |
|--|---------|--------|

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

| | | |
|---|-------------------------|-------------------------|
| Up to 1 year | 481 169 | 487 734 |
| 2 to 5 years | 779 750 | 1 076 069 |
| More than 5 years | <u>19 250</u> | <u>50 444</u> |
| Total Operating Lease Arrangements | <u>1 280 169</u> | <u>1 614 248</u> |

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease for the year has been an increase:

| | |
|--------|-----|
| 19 884 | 956 |
|--------|-----|

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS

| | | |
|---|------------------|-------------------|
| Vat Receivable from Exchange Transactions | <u>9 915 879</u> | <u>12 830 607</u> |
|---|------------------|-------------------|

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

| Description | Infra-structure | Community | Heritage | Other | Leased Infra-structure | Total |
|--|----------------------|--------------------|------------------|-------------------|------------------------|----------------------|
| | R | R | R | R | R | R |
| Carrying values at 01 July 2014 | 876 826 690 | 298 532 841 | 6 801 944 | 59 788 587 | - | 1 241 950 062 |
| Cost | 1 253 234 594 | 340 556 676 | 6 801 944 | 120 408 221 | - | 1 721 001 437 |
| - Completed Assets | 799 793 562 | 326 236 008 | 6 801 944 | 120 408 221 | - | 1 253 239 736 |
| - Under Construction | 453 441 032 | 14 320 668 | - | - | - | 467 761 701 |
| Accumulated Depreciation: | (376 407 905) | (42 023 836) | - | (60 619 634) | - | (479 051 375) |
| - Cost | (376 407 905) | (42 023 836) | - | (60 619 634) | - | (479 051 375) |
| Acquisitions | 65 313 335 | - | - | 14 821 366 | - | 80 134 701 |
| Capital under Construction - Additions | 96 824 430 | 17 412 907 | - | - | - | 114 237 337 |
| - Cost | 96 824 430 | 17 412 907 | - | - | - | 114 237 337 |
| Reversals of Impairment Losses | - | - | - | - | - | - |
| Depreciation: | (24 632 975) | (7 461 961) | - | (12 380 497) | - | (44 475 434) |
| - Based on Cost | (24 632 975) | (7 461 961) | - | (12 380 497) | - | (44 475 434) |
| Adjustment of Carrying values: | (6 244 766) | (336 706) | - | - | - | (6 581 472) |
| - Cost | (6 244 766) | (336 706) | - | - | - | (6 581 472) |
| Impairment Losses | (7 653 334) | - | - | - | - | (7 653 334) |
| Capital under Construction - Completed | (247 392 997) | - | - | - | - | (247 392 997) |
| Other Movements | 247 392 997 | - | - | - | - | 247 392 997 |
| - Cost | 247 392 997 | - | - | - | - | 247 392 997 |
| Carrying values at 30 June 2015 | 1 000 433 379 | 308 147 080 | 6 801 944 | 62 229 456 | - | 1 377 611 860 |
| Cost | 1 409 127 594 | 357 632 877 | 6 801 944 | 135 229 587 | - | 1 908 792 002 |
| - Completed Assets | 1 106 255 128 | 325 899 302 | 6 801 944 | 135 229 587 | - | 1 574 185 962 |
| - Under Construction | 302 872 465 | 31 733 575 | - | - | - | 334 606 041 |
| Accumulated Impairment Losses | - | - | - | - | - | - |
| Accumulated Depreciation: | (408 694 214) | (49 485 797) | - | (73 000 132) | - | (531 180 143) |
| - Cost | (408 694 214) | (49 485 797) | - | (73 000 132) | - | (531 180 143) |

30 June 2014

Reconciliation of Carrying Value

| Description | Infra-structure | Community | Heritage | Other | Leased Infra-structure | Total |
|---|--------------------|--------------------|------------------|-------------------|------------------------|----------------------|
| | R | R | R | R | R | R |
| Carrying values at 01 July 2013 | 730 512 292 | 295 927 523 | 6 801 944 | 57 959 039 | 83 314 | 1 091 284 112 |
| Cost | 1 092 992 711 | 330 566 489 | 6 801 944 | 108 512 615 | - | 1 538 873 759 |
| - Completed Assets | 824 955 422 | 323 920 764 | 6 801 944 | 108 512 615 | - | 1 264 190 745 |
| - Under Construction | 268 037 289 | 6 645 725 | - | - | - | 274 683 014 |
| Accumulated Depreciation: | (362 480 419) | (34 638 966) | - | (50 553 576) | 83 314 | (447 589 647) |
| - Cost | (362 480 419) | (34 638 966) | - | (50 553 576) | 83 314 | (447 589 647) |
| - Cost | (54 931 941) | - | - | - | - | - |
| - Accumulated Depreciation | 7 450 284 | - | - | - | - | - |
| Restated carrying values at 01 July 2013 | 683 030 635 | 295 927 523 | 6 801 944 | 57 959 039 | 83 314 | 1 091 284 112 |
| Acquisitions | 4 134 413 | 394 512 | - | 13 713 492 | - | 18 242 417 |
| Capital under Construction - Additions | 211 085 875 | 10 758 374 | - | - | - | 221 844 249 |
| - Cost | 211 085 875 | 10 758 374 | - | - | - | 221 844 249 |
| Depreciation: | (21 418 049) | (7 384 869) | - | (11 688 719) | (83 314) | (40 574 952) |
| - Based on Cost | (21 418 049) | (7 384 869) | - | (11 688 719) | (83 314) | (40 574 952) |
| Carrying value of Transfers to Held-for-Sale: | (6 183) | (1 162 698) | - | (195 225) | - | (1 364 107) |
| - Cost | (46 463) | (1 162 698) | - | (1 817 885) | - | (3 027 047) |
| - Accumulated Depreciation | 40 280 | - | - | 1 622 660 | - | 1 662 940 |
| - Based on Cost | 40 280 | - | - | 1 622 660 | - | 1 662 940 |
| Capital under Construction - Completed | (25 682 131) | (3 083 431) | - | - | - | (28 765 562) |
| Other Movements | 25 682 131 | 3 083 431 | - | - | - | 28 765 562 |
| - Cost | 25 682 131 | 3 083 431 | - | - | - | 28 765 562 |
| Carrying values at 30 June 2014 | 876 826 690 | 298 532 841 | 6 801 944 | 59 788 587 | - | 1 241 950 062 |
| Cost | 1 253 234 594 | 340 556 676 | 6 801 944 | 120 408 221 | - | 1 721 001 437 |
| - Completed Assets | 799 793 562 | 326 236 008 | 6 801 944 | 120 408 221 | - | 1 253 239 736 |
| - Under Construction | 453 441 032 | 14 320 668 | - | - | - | 467 761 701 |
| Accumulated Depreciation: | (376 407 905) | (42 023 836) | - | (60 619 634) | - | (479 051 375) |
| - Cost | (376 407 905) | (42 023 836) | - | (60 619 634) | - | (479 051 375) |

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Property, Plant and Equipment have been restated to include certain assets which were previously erroneously excluded from the Municipality's Asset Register. Refer to Note 39.6 and 39.7 on "Correction of Error" for details on the restatement.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Carrying Amount of Property, Plant and Equipment temporarily idle:

An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:

326 547 -

9.2 Heritage Assets

The municipality identified certain categories of assets that can be classified as Heritage Assets. Due to the recognition criteria as set out in GRAP 103, these assets do not qualify to be recognised as the cost or fair value thereof cannot be measured reliably. Furthermore, the municipality cannot with certainty say that future economic benefits or service potential attributable to the heritage asset will flow to the municipality. These categories are: *Municipal Jewelry, Antique Paintings, Areas of land of historic or specific significance and Monuments.*

10. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

3 244 624 1 098 305

The movement in Intangible Assets is reconciled as follows:

| | Computer Software | Total |
|--|----------------------|------------------|
| Carrying values at 01 July 2014 | 1 098 305 | 1 098 305 |
| Cost | 12 215 153 | 12 215 153 |
| Accumulated Amortisation | (11 116 848) | (11 116 848) |
| Acquisitions during the Year: | 3 534 525 | 3 534 525 |
| Purchased | 3 534 525 | 3 534 525 |
| Amortisation during the Year: | (1 388 206) | (1 388 206) |
| Purchased | (1 388 206) | (1 388 206) |
| Carrying values at 30 June 2015 | 3 244 624 | 3 244 624 |
| Cost | 15 749 678 | 15 749 678 |
| Accumulated Amortisation | (12 505 054) | (12 505 054) |
| | Computer Software | Total |
| Carrying values at 01 July 2013 | 2 606 911 | 2 606 911 |
| Cost | 12 006 987 | 12 006 987 |
| Accumulated Amortisation | (9 400 076) | (9 400 076) |
| Acquisitions during the Year: | 208 165 | 208 165 |
| Purchased | 208 165 | 208 165 |
| Amortisation during the Year: | (1 716 772) | (1 716 772) |
| Purchased | (1 716 772) | (1 716 772) |
| Carrying values at 30 June 2014 | 1 098 305 | 1 098 305 |
| Cost | 12 215 153 | 12 215 153 |
| Accumulated Amortisation | (11 116 848) | (11 116 848) |

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|---|--------------------|--------------------|
| 11. INVESTMENT PROPERTY | | |
| At Cost less Accumulated Depreciation | 194 623 613 | 201 755 728 |
| The movement in Investment Property is reconciled as follows: | | |
| Carrying values at 1 July | 201 755 728 | 201 986 241 |
| Cost | 202 964 995 | 202 964 995 |
| Accumulated Depreciation | (1 209 267) | (978 754) |
| Accumulated Impairment Losses | - | - |
| Acquisitions during the Year | - | - |
| Depreciation during the Year | (217 312) | (230 514) |
| Transfers during the Year: | (6 914 802) | - |
| At Cost | (6 914 802) | - |
| Carrying values at 30 June | 194 623 613 | 201 755 728 |
| Cost | 196 050 193 | 202 964 995 |
| Accumulated Depreciation | (1 426 580) | (1 209 267) |
| Estimated Fair Value of Investment Property at 30 June | 196 050 193 | 202 964 995 |
| Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental Revenue earned from Investment Property | 166 349 | 41 169 |

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff were previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

| | | |
|--|-------------------|-------------------|
| Electricity and Water | 21 848 411 | 16 684 134 |
| Total Consumer Deposits | 21 848 411 | 16 684 134 |
| Guarantees held in lieu of Electricity and Water Deposits | 3 507 853 | 3 507 853 |

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|---|------------------|------------------|
| 14. PROVISIONS | | |
| Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below) | 4 928 000 | 5 530 000 |
| Current Portion of Non-Current Provisions (See Note 20 below): | 2 520 000 | 1 935 000 |
| Long-term Service | 2 520 000 | 1 935 000 |
| Total Provisions | 7 448 000 | 7 465 000 |

15. CREDITORS

| | | |
|------------------------------|--------------------|--------------------|
| Trade Creditors | 85 467 123 | 120 981 864 |
| Payments received in Advance | 12 684 720 | 12 733 709 |
| Staff Bonuses | 9 969 519 | 8 490 892 |
| Other Creditors | 53 127 | 53 127 |
| Accrued Leave | 30 843 299 | 26 804 532 |
| Total Creditors | 139 017 787 | 169 064 124 |

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2014.

Included in the creditors at year end 2013/14 is an amount of R23 Million in respect of Tuned Assessment Knowledge and Skills as per council resolution December 2014. This amount was paid during July 2014.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair value.

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

| | | |
|--|-------------------|------------------|
| | 31 651 158 | 2 593 813 |
| Grants | 31 651 158 | 2 593 813 |
| Total Conditional Grants and Receipts | 31 651 158 | 2 593 813 |

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "F" for more detail on Conditional Grants.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

| | | |
|--|------------|------------|
| Vat Payable from Exchange Transactions | 20 314 935 | 20 909 631 |
| Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date. | | |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|---------------------------|---------------------------|
| 18. LONG TERM LIABILITIES | | |
| Annuity Loans | 237 700 405 | 251 447 303 |
| Finance Lease Liabilities | - | - |
| Sub-total | <u>237 700 405</u> | <u>251 447 303</u> |
| Less: Current Portion transferred to Current Liabilities:- | 10 882 007 | 13 727 843 |
| Annuity Loans | <u>10 882 007</u> | <u>13 727 843</u> |
| Total Long-term Liabilities | <u>226 818 398</u> | <u>237 719 460</u> |

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA Refer to Appendix "A" for more detail on Long-term Liabilities.

19. RETIREMENT BENEFIT LIABILITIES

19.1 Post-retirement Health Care Benefits Liability

| | | |
|---|---------------------------|---------------------------|
| Balance at beginning of Year | 202 404 000 | 190 117 066 |
| Contributions to Provision | (4 418 000) | (5 001 000) |
| Expenditure incurred | 27 540 000 | 27 588 957 |
| Actuarial (gain)/loss | (51 117 000) | (10 301 023) |
| Balance at end of Year | <u>174 409 000</u> | <u>202 404 000</u> |
| Transfer to Current Provisions | (4 928 000) | (5 530 000) |
| Total Post-retirement Health Care Benefits Liability | <u>169 481 000</u> | <u>196 874 000</u> |

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by N Fourie and J van der Spuy, Fellow members of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

| | | |
|--|---------------------|---------------------|
| In-service (employee) members | 1 257 | 1 443 |
| Continuation Members (retirees and widowers) | 174 | 179 |
| Total Members | <u>1 431</u> | <u>1 622</u> |

The liability in respect of past service has been estimated as follows:

| | | |
|------------------------|---------------------------|---------------------------|
| In-service Members | 123 756 000 | 148 947 000 |
| Continuation Members | 50 653 000 | 53 457 000 |
| Total Liability | <u>174 409 000</u> | <u>202 404 000</u> |

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed
- Fed Health

| 2015 | 2014 |
|------|------|
| R | R |

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Movements in the present value of the Defined Benefit Obligation were as follows:

The amounts recognised in the Statement of Financial Position are as follows:

The amounts recognised in the Statement of Financial Performance are as follows:

The history of experienced adjustments is as follows:

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

| 2015 | 2014 |
|------|------|
| R | R |

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

| | | |
|---|-------------|-------------|
| Effect on the aggregate of the current service cost and the interest cost | 24 694 000 | 28 644 000 |
| Effect on the defined benefit obligation | 180 051 000 | 210 386 000 |

Decrease:

| | | |
|---|-------------|-------------|
| Effect on the aggregate of the current service cost and the interest cost | 22 784 000 | 25 925 000 |
| Effect on the defined benefit obligation | 166 502 000 | 191 187 000 |

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|---|-------------------|-------------------|
| 20. NON-CURRENT PROVISIONS | | |
| Provision for Ex-Gratia Arrangements | 907 000 | 835 000 |
| Provision for Long Service Awards | 15 713 000 | 14 969 000 |
| Provision for Rehabilitation of Land-fill Sites | 27 336 931 | 31 638 435 |
| Total Non-current Provisions | 43 956 931 | 47 442 435 |

The movement in Non-current Provisions are reconciled as follows:

| | Ex-Gratia Arrangements R | Long Service Awards R | Land-fill Sites R |
|-------------------------------------|--------------------------------|-----------------------------|----------------------|
| 30 June 2015 | | | |
| Balance at beginning of year | 835 000 | 16 904 000 | 31 638 435 |
| Current service cost | - | 1 904 000 | - |
| Interest cost | 66 000 | 1 358 000 | - |
| Expenditure incurred / Contribution | - | (1 778 000) | 1 943 262 |
| Actuarial Loss / (Gain) | 6 000 | (155 000) | (6 244 766) |
| | 907 000 | 18 233 000 | 27 336 931 |
| Transfer to current provisions | - | (2 520 000) | - |
| Balance at end of year | 907 000 | 15 713 000 | 27 336 931 |
| 30 June 2014 | | | |
| Balance at beginning of year | 624 207 | 14 323 824 | 29 518 533 |
| Current service cost | - | 1 521 657 | - |
| Interest cost | 46 261 | 876 207 | - |
| Expenditure incurred / Contribution | - | (1 590 000) | 2 119 902 |
| Actuarial Loss / (Gain) | 164 532 | 1 772 312 | - |
| | 835 000 | 16 904 000 | 31 638 435 |
| Transfer to current provisions | - | (1 935 000) | - |
| Balance at end of year | 835 000 | 14 969 000 | 31 638 435 |

20.1 Ex-Gratia Arrangements

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by N Fourie and J van der Spuy, Fellow members of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 5 employees were eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be: 66 000 46 261

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | | |
|-----------------------------------|-------|-------|
| Discount Rate | 7.89% | 7.96% |
| Cost Inflation Rate | 6.59% | 6.33% |
| Net Effective Discount Rate | 0.24% | 0.59% |
| Expected Rate of Salary Increase | 7.63% | 7.33% |
| Expected Retirement Age - Females | 63 | 63 |
| Expected Retirement Age - Males | 63 | 63 |

Movements in the present value of the Defined Benefit Obligation were as follows:

| | | |
|--|----------------|----------------|
| Balance at the beginning of the year | 835 000 | 624 207 |
| Interest cost | 66 000 | 46 261 |
| Actuarial losses / (gains) | 6 000 | 164 532 |
| Present Value of Fund Obligation at the end of the Year | 907 000 | 835 000 |
| Actuarial losses / (gains) unrecognised | - | - |
| Total Recognised Benefit Liability | 907 000 | 835 000 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

2015
R

2014
R

20. NON-CURRENT PROVISIONS (Continued)

The amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|---------------|----------------|
| Interest cost | 66 000 | 46 261 |
| Actuarial losses / (gains) | 6 000 | 164 532 |
| Total Post-retirement Benefit included in Employee Related Costs | 72 000 | 210 793 |

The history of experienced adjustments is as follows:

| | 2015 R | 2014 R | 2013 R | 2012 R | 2011 R |
|---|----------------|----------------|----------------|----------------|----------------|
| Present Value of Defined Benefit Obligation | 907 000 | 835 000 | 624 207 | 551 734 | 477 682 |
| Deficit | 907 000 | 835 000 | 624 207 | 551 734 | 477 682 |

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

2015
R

2014
R

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

| | | |
|--|---------|---------|
| Effect on the aggregate of the interest cost | 49 000 | 69 000 |
| Effect on the defined benefit obligation | 913 000 | 866 000 |

Decrease:

| | | |
|--|---------|---------|
| Effect on the aggregate of the interest cost | 43 000 | 64 000 |
| Effect on the defined benefit obligation | 869 000 | 806 000 |

20.2 Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by N Fourie and J van der Spuy, Fellow members of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,450 employees were eligible for Long-service Awards.

2015
R

2014
R

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | | |
|-----------------------------------|-------|-------|
| Discount Rate | 8.24% | 7.96% |
| Cost Inflation Rate | 6.59% | 6.33% |
| Net Effective Discount Rate | 0.60% | 0.59% |
| Expected Rate of Salary Increase | 7.59% | 7.33% |
| Expected Retirement Age - Females | 63 | 63 |
| Expected Retirement Age - Males | 63 | 63 |

Movements in the present value of the Defined Benefit Obligation were as follows:

| | | |
|--|-------------------|-------------------|
| Balance at the beginning of the year | 16 904 000 | 14 323 824 |
| Current service costs | 1 904 000 | 1 521 657 |
| Interest cost | 1 358 000 | 876 207 |
| Benefits paid | (1 778 000) | (1 590 000) |
| Actuarial losses / (gains) | (155 000) | 1 772 312 |
| Present Value of Fund Obligation at the end of the Year | 18 233 000 | 16 904 000 |
| Actuarial losses / (gains) unrecognised | - | - |
| Total Recognised Benefit Liability | 18 233 000 | 16 904 000 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|-------------------|-------------------|
| 20. NON-CURRENT PROVISIONS (Continued) | | |
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 18 233 000 | 16 904 000 |
| Total Benefit Liability | 18 233 000 | 16 904 000 |

The amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|---|------------------|------------------|
| Current service cost | 1 904 000 | 1 521 657 |
| Interest cost | 1 358 000 | 876 207 |
| Benefits paid | (1 778 000) | (1 590 000) |
| Actuarial losses / (gains) | (155 000) | 1 772 312 |
| Total Post-retirement Benefit included in Employee Related Costs (Note 29) | 1 329 000 | 2 580 176 |

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The history of experienced adjustments is as follows:

| | 2015 R | 2014 R | 2013 R | 2012 R | 2011 R |
|----------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Obligation | 18 233 000 | 16 904 000 | 14 323 824 | 13 372 118 | 9 718 623 |
| Deficit | 18 233 000 | 16 904 000 | 14 323 824 | 13 372 118 | 9 718 623 |

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

| | 2015 R | 2014 R |
|--|------------|------------|
| The effect of a 1% movement in the assumed rate of long service cost inflation is as follows: | | |
| Increase: | | |
| Effect on the aggregate of the current service cost and the interest cost | 3 707 000 | 3 475 000 |
| Effect on the defined benefit obligation | 19 317 000 | 17 877 000 |
| Decrease: | | |
| Effect on the aggregate of the current service cost and the interest cost | 3 270 000 | 3 067 000 |
| Effect on the defined benefit obligation | 17 235 000 | 16 007 000 |

20.3 Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

| | |
|------------|------------|
| 27 336 931 | 31 638 435 |
|------------|------------|

An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | | |
|--|--------|--------|
| Inflation Rate | 6.30% | 6.30% |
| Size of landfill site in hectares | 16 | 16 |
| Annual tonnage of waste deposited | 72 000 | 72 000 |
| Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation. | | |

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

| | | |
|--|----------------------|----------------------|
| Capital Replacement Reserve (CRR) | 73 310 638 | 88 679 848 |
| Self-insurance Reserve | 23 206 160 | 22 876 960 |
| C.O.I.D. Reserve | 10 195 590 | 9 489 671 |
| Accumulated Surplus / (Deficit) due to the results of Operations | 1 793 399 350 | 1 548 543 700 |
| Total Accumulated Surplus | 1 908 095 577 | 1 669 590 179 |

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The **C.O.I.D. Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | | | 2015 R | 2014 R |
|-------------------------------|----------------------------|----------------------|--------------------|--------------------|
| 22. PROPERTY RATES | | | | |
| | Property Valuations | Actual Levies | | |
| | July 2014 | July 2013 | | |
| | R000's | R000's | | |
| Residential | 11 134 402 | 11 055 630 | 120 200 388 | 110 747 223 |
| Business | 2 747 328 | 2 721 007 | 95 555 378 | 88 557 985 |
| Residential Business | 170 657 | 185 961 | 3 667 920 | 3 504 707 |
| Rural | 1 050 731 | 1 031 198 | 1 971 946 | 1 730 481 |
| Industrial | 231 140 | 230 491 | 10 970 132 | 10 637 630 |
| PSI | 32 914 | 32 914 | - | - |
| State | 1 904 686 | 1 903 064 | 165 464 849 | 152 028 352 |
| Mining Areas | 5 686 | 5 686 | 1 089 976 | 1 018 794 |
| Exempt | 1 114 703 | 1 076 891 | | |
| Total Assessment Rates | 18 392 246 | 18 242 843 | 398 920 589 | 368 225 172 |

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2011. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 50% (2014: 50%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

| | | | |
|--|--|-------------------|-------------------|
| 23. INTEREST EARNED | | 2015 R | 2014 R |
| External Investments: | | | |
| Interest | | 21 164 955 | 21 412 753 |
| Outstanding Debtors: | | | |
| Outstanding Debtors | | 73 076 752 | 56 744 324 |
| Total Interest Earned | | 94 241 707 | 78 157 078 |
| Interest Earned on Financial Assets, analysed by category of asset, is as follows: | | | |
| Financial instruments at amortised cost | | 94 241 707 | 78 157 078 |

| | | | |
|---------------------------------|--|--------------------|--------------------|
| 24. SERVICE CHARGES | | | |
| Sale of Electricity | | 561 177 966 | 528 884 697 |
| Sale of Water | | 211 649 583 | 200 061 786 |
| Refuse Removal | | 47 364 050 | 44 695 360 |
| Sewerage and Sanitation Charges | | 67 956 279 | 63 600 733 |
| Total Service Charges | | 888 147 879 | 837 242 575 |

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs, which are billed to the consumers on a monthly basis according to approved tariffs.

| | | | |
|---|--|-------------------|-------------------|
| 25. RENTAL OF FACILITIES AND EQUIPMENT | | | |
| Rental Revenue from Facilities and Equipment | | 16 373 950 | 17 795 073 |
| Total Rental of Facilities and Equipment | | 16 373 950 | 17 795 073 |

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

| | | | |
|--|--|--------------------|--------------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES | | | |
| Provincial Equitable Share | | 145 440 000 | 145 905 000 |
| Provincial Health Subsidies | | 2 809 000 | 2 663 000 |
| Other Subsidies | | 4 563 000 | 1 706 497 |
| Operational Grants | | 152 812 000 | 150 274 497 |
| Conditional Grants | | 129 224 220 | 156 479 401 |
| National: FMG | | 1 600 000 | 1 550 000 |
| National: MIG | | 47 211 000 | 55 381 344 |
| National: Grants | | 19 063 732 | 70 120 461 |
| National: EPWP | | 5 330 000 | 6 618 000 |
| Provincial: Grants | | 47 262 775 | 16 725 675 |
| Local Government: Local Municipalities Grant | | 8 756 713 | 6 083 921 |
| Total Government Grants and Subsidies | | 282 036 220 | 306 753 898 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|--------------|--------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES (Continued) | | |
| Operational Grants: | | |
| 26.1 National: Equitable Share | 145 440 000 | 145 905 000 |
| This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members. | | |
| 26.2 Provincial: Health Subsidies | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts - included in Public Health vote | 2 809 000 | 2 663 000 |
| - Primary Health | 2 809 000 | 2 663 000 |
| Conditions met - transferred to Revenue | (2 809 000) | (2 663 000) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively for health services (included in Appendix F). | | |
| 26.3 Other Subsidies | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts: | 4 563 000 | 1 706 497 |
| - Library | 4 563 000 | 1 281 000 |
| - Miscellaneous | - | 425 497 |
| Conditions met - transferred to Revenue | (4 563 000) | (1 706 497) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to library expenditure (included in Appendix F). The conditions of the grant have been met. | | |
| Conditional Grants: | | |
| 26.4 National: FMG Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 600 000 | 1 550 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 600 000) | (1 550 000) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix F). Not all funds have been paid. | | |
| 26.5 National: MIG Funds | | |
| Balance unspent at beginning of year | - | 3 138 344 |
| Current year receipts | 47 211 000 | 52 243 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (1 544 389) | (1 336 764) |
| Conditions met - transferred to Revenue: Capital Expenses | (45 666 611) | (54 044 580) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| This grant was used for various projects (included in Appendix F). No funds have been withheld. | | |
| 26.6 National: Funds | | |
| Balance unspent at beginning of year | 2 593 812 | 27 707 346 |
| Current year receipts | 48 121 077 | 45 006 928 |
| Conditions met - transferred to Revenue: Operating Expenses | (4 233 619) | (4 421 653) |
| Conditions met - transferred to Revenue: Capital Expenses | (14 830 112) | (65 698 809) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | 31 651 158 | 2 593 812 |
| This grant was used for various projects (included in Appendix F). No funds have been withheld. | | |
| 26.7 National - EPWP | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 5 330 000 | 6 618 000 |
| Conditions met - transferred to Revenue: Operating Expenses | (5 330 000) | (6 618 000) |
| Conditions met - transferred to Revenue: Capital Expenses | - | - |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| This grant was used for various projects (included in Appendix F). No funds have been withheld. | | |
| 26.8 Provincial: Grants | | |
| Balance unspent at beginning of year | - | 4 260 159 |
| Current year receipts | 47 262 775 | 12 465 516 |
| Conditions met - transferred to Revenue: Operating Expenses | - | (600 000) |
| Conditions met - transferred to Revenue: Capital Expenses | (47 262 775) | (16 125 675) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix F). Not all funds have been paid. | | |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|--------------------|--------------------|
| 26. GOVERNMENT GRANTS AND SUBSIDIES (Continued) | | |
| 26.9 Local Government - Local Municipalities | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 8 756 713 | 6 083 921 |
| Conditions met - transferred to Revenue: Operating Expenses | (2 760 640) | (1 800 000) |
| Conditions met - transferred to Revenue: Capital Expenses | (5 996 073) | (4 283 921) |
| Conditions still to be met - transferred to Liabilities (see Note 16) | - | - |
| The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld. | | |
| 26.10 Changes in levels of Government Grants | | |
| Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years. | | |
| 27. PUBLIC CONTRIBUTIONS AND DONATIONS | | |
| Donations Received | 3 812 828 | 720 724 |
| Total Public Contributions and Donations | 3 812 828 | 720 724 |
| Donations received comprise of various connection/cables that was paid for by a third party. | | |
| 28. OTHER INCOME | | |
| Premiums received and claims recovered | 4 367 738 | 8 104 307 |
| Admission and transaction fees | 1 350 891 | 7 161 691 |
| Burial fees | 1 565 385 | 1 489 169 |
| Connections and Disconnections | 7 340 404 | 6 106 391 |
| Dues | 3 193 806 | 3 811 691 |
| Miscellaneous revenue | 8 892 333 | 6 325 841 |
| Pail and Vacuum tank fees | 841 990 | 1 005 662 |
| Unclaimed fines, deposits and stale cheques | 1 700 098 | 1 053 902 |
| Other Income | 4 452 288 | 2 415 164 |
| Total Other Income | 33 704 935 | 37 473 817 |
| The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. | | |
| 29. EMPLOYEE RELATED COSTS | | |
| Employee Related Costs - Salaries and Wages | 274 089 374 | 254 505 275 |
| Employee Related Costs - Contributions for UIF and Medical Aids | 36 501 517 | 32 793 504 |
| Employee Related Costs - Contributions for Pensions | 34 949 970 | 53 421 094 |
| Travel, Motor Car, Accommodation, Subsistence and Other Allowances | 101 856 300 | 80 152 269 |
| Housing Benefits and Allowances | 1 859 318 | 1 670 598 |
| Overtime Payments | 24 635 024 | 21 432 799 |
| Long-service Awards | 9 807 308 | 9 104 637 |
| Defined Benefit Plan Expense: | (20 398 000) | 21 668 903 |
| Current Service Cost | 11 178 000 | 11 993 311 |
| Interest Cost | 19 690 000 | 18 039 771 |
| Net Actuarial (gains)/losses recognised | (51 266 000) | (8 364 179) |
| Total Employee Related Costs | 463 300 811 | 474 749 079 |
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | 1 472 036 | 1 385 791 |
| Car Allowance | 150 000 | 150 000 |
| Company Contributions to UIF, Medical and Pension Funds | 290 361 | 272 014 |
| Total | 1 912 396 | 1 807 805 |
| Remuneration of the Director: Finance | | |
| Annual Remuneration | 719 714 | 679 838 |
| Car Allowance | 311 712 | 245 820 |
| Company Contributions to UIF, Medical and Pension Funds | 146 401 | 150 782 |
| Total | 1 177 827 | 1 076 440 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|--|--------------------|--------------------|
| 29. EMPLOYEE RELATED COSTS (Continued) | | |
| <i>Remuneration of the Director: Corporate Services</i> | | |
| Annual Remuneration | 754 964 | 307 606 |
| Car Allowance | 320 702 | 14 775 |
| Company Contributions to UIF, Medical and Pension Funds | 253 482 | - |
| Total | 1 329 148 | 322 381 |
| The post was vacant for a portion of the previous year. | | |
| <i>Remuneration of the Director: Strategy, Economic Development and Planning</i> | | |
| Annual Remuneration | 716 354 | 680 126 |
| Car Allowance | 309 780 | 243 645 |
| Company Contributions to UIF, Medical and Pension Funds | 161 355 | 151 085 |
| Total | 1 187 489 | 1 074 857 |
| <i>Remuneration of the Director: Community Services</i> | | |
| Annual Remuneration | 722 378 | 680 126 |
| Car Allowance | 304 884 | 243 645 |
| Company Contributions to UIF, Medical and Pension Funds | 121 394 | 129 657 |
| Total | 1 148 656 | 1 053 428 |
| <i>Remuneration of the Director: Technical Services</i> | | |
| Annual Remuneration | 771 736 | 628 272 |
| Car Allowance | 304 884 | 243 645 |
| Company Contributions to UIF, Medical and Pension Funds | 146 766 | 137 390 |
| Total | 1 223 386 | 1 009 307 |
| The following compensation was payable to key management personnel in terms of GRAP as at 30 June: | | |
| Staff Leave Benefits:- | | |
| Municipal Manager | 52 708 | 53 154 |
| Chief Financial Officer | 80 104 | 54 553 |
| Director Community | 116 515 | - |
| Director Corporate | 122 870 | - |
| Director SED | 52 796 | 34 096 |
| Director Technical | 83 800 | 69 947 |
| Total | 508 792 | 211 750 |
| 30. REMUNERATION OF COUNCILLORS | | |
| Executive Mayor | 786 211 | 755 582 |
| Speaker | 621 290 | 588 447 |
| Councillors | 12 149 911 | 10 770 062 |
| Contributions to UIF, Medical and Pension Funds and other allowances | 6 283 655 | 6 345 090 |
| Total Councillors' Remuneration | 19 841 066 | 18 459 181 |
| <i>In-kind Benefits</i> | | |
| The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties. | | |
| 31. DEPRECIATION AND AMORTISATION | | |
| Depreciation: Property, Plant and Equipment | 44 475 434 | 40 574 952 |
| Amortisation: Intangible Assets | 1 388 206 | 1 716 772 |
| Depreciation: Investment Property | 217 312 | 230 514 |
| Total Depreciation and Amortisation | 46 080 952 | 42 522 237 |
| 32. IMPAIRMENT LOSSES | | |
| <i>32.1 Impairment Losses on Financial Assets</i> | | |
| Impairment Losses Recognised: | 143 165 133 | 126 810 256 |
| Trade Receivables from exchange transactions | 135 105 074 | 122 760 085 |
| Trade Receivables from non-exchange transactions | 8 060 058 | 4 050 170 |
| | 143 165 133 | 126 810 256 |
| Total Impairment Losses | 143 165 133 | 126 810 256 |
| 33. FINANCE COSTS | | |
| Loans and Payables at amortised cost | 30 458 023 | 28 004 574 |
| Finance Leases | - | 51 772 |
| Total Interest Paid on External Borrowings | 30 458 023 | 28 056 345 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| 34. BULK PURCHASES | 2015 | 2014 |
|-----------------------------|--------------------|--------------------|
| | R | R |
| Electricity | 338 262 126 | 314 781 010 |
| Water | 66 198 499 | 66 223 917 |
| Total Bulk Purchases | 404 460 624 | 381 004 928 |

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

| 35. GRANTS AND SUBSIDIES PAID | | |
|--------------------------------------|-------------------|-------------------|
| Diamonds and Dorings Festival | 1 560 015 | 1 500 000 |
| Gariap Festival | 1 300 000 | 1 100 000 |
| Indigent subsidy | 53 123 619 | 15 161 339 |
| Other Grants | 1 360 000 | 1 053 000 |
| Subsidy paid to SPCA | 850 000 | 750 000 |
| Total Grants and Subsidies | 58 193 634 | 19 564 339 |

The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

| 36. GENERAL EXPENSES | | |
|-----------------------------------|--------------------|--------------------|
| Audit fees | 3 619 608 | 4 374 711 |
| Audit committee | 304 635 | 376 771 |
| Bank charges | 2 867 498 | 2 170 168 |
| Claims paid | 793 133 | 1 823 433 |
| Clarification/Purification | 6 751 235 | 6 614 695 |
| Cleaning material | 519 177 | 451 962 |
| Conferences and seminars | 8 447 526 | 8 421 734 |
| Course fees/Central training fund | 4 880 432 | 4 325 265 |
| Discount on early payment | 23 224 189 | 23 908 488 |
| Electricity | 42 147 922 | 45 631 036 |
| Fuel | 10 320 088 | 11 591 952 |
| FMG Interns | 860 729 | 817 670 |
| Hire of labour | 849 110 | 1 119 963 |
| Indigent subsidy | 122 390 | 113 825 |
| Insurance - other | 3 529 799 | 3 255 017 |
| Insurance - vehicles | 660 000 | 630 000 |
| Laboratory | 514 025 | 433 917 |
| Job creation cleaning project | 11 286 717 | 4 408 511 |
| Legal expenses | 2 492 590 | 1 435 067 |
| Membership fees | 4 785 865 | 4 117 257 |
| Postage | 2 025 479 | 2 041 338 |
| Printing and stationary | 5 654 650 | 5 412 723 |
| Professional fees | 25 316 160 | 24 415 701 |
| Projects | 41 961 638 | 34 977 333 |
| Projects EPWP | 5 330 000 | 11 645 921 |
| Protective clothing | 1 618 263 | 1 466 733 |
| Refuse removals | 894 547 | 1 093 791 |
| Sanitation | 1 515 884 | 2 190 906 |
| Sport | 999 318 | 789 484 |
| Stores | 1 794 453 | 1 591 876 |
| Sundries | 323 139 | 1 454 450 |
| Telephone expenditure | 4 567 002 | 4 381 704 |
| Training | 1 040 243 | 2 481 200 |
| Uniforms | 1 272 288 | 1 119 308 |
| Water | 7 949 416 | 10 175 615 |
| Ward committee activities | 3 331 940 | 3 538 383 |
| Workmen's compensation insurance | 1 360 860 | 1 232 843 |
| Other General Expenses | 14 719 021 | 11 644 696 |
| Total General Expenses | 250 650 967 | 247 675 447 |

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

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37. DISCONTINUED OPERATIONS

No operations have been discontinued.

38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year under review.

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

| | |
|--|--------------------|
| Corrections to Debtors | 23 564 288 |
| Corrections to Creditors | 8 644 115 |
| Corrections to Depreciation on Property, Plant and Equipment | 7 450 284 |
| Corrections to Income | 5 661 097 |
| Corrections to Property, Plant and Equipment | (54 931 941) |
| Increase / (Decrease) in Unappropriated Surplus Account | (9 612 157) |
| Increase / (Decrease) in Accumulated Surplus Account | (9 612 157) |

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

| | 2014 Revenue | 2014 Correction | Restated Amount |
|------------------------------------|--------------------|--------------------|--------------------|
| Service Charges | 835 048 151 | 2 194 424 | 837 242 575 |
| Rental of Facilities and Equipment | 17 795 473 | (400) | 17 795 073 |
| Other Income | 36 945 396 | 528 421 | 37 473 817 |
| | 889 789 020 | 2 722 445 | 892 511 465 |

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

| | 2014 Expenditure | 2014 Correction | Restated Amount |
|-------------------------------|---------------------|--------------------|--------------------|
| Depreciation and Amortisation | 41 988 288 | 533 949 | 42 522 237 |
| Repairs and Maintenance | 64 256 615 | (2 014 511) | 62 242 104 |

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

| | 2014 Fin Position | 2014 Correction | Restated Amount |
|--|----------------------|--------------------|--------------------|
| Accumulated Surplus | 1 674 999 330 | (5 409 151) | 1 669 590 179 |
| Creditors | 169 578 267 | (514 143) | 169 064 124 |
| Property, Plant and Equipment | 1 281 007 356 | (45 859 238) | 1 235 148 117 |
| Current Portion of Long-term Liabilities | 22 371 958 | (8 644 115) | 13 727 843 |
| Trade Receivables from Exchange Transactions | 260 972 416 | 7 650 005 | 268 622 421 |
| Trade Receivables from Non-Exchange Transactions | 302 495 920 | 23 783 068 | 326 278 988 |
| Vat Receivable from Exchange Transactions | 12 829 993 | 614 | 12 830 607 |

39.4 Restatement of Non-current Liabilities:

No restatements for the financial year.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

Included in the prior year's restated current portion of long-term Liabilities balance is an amount of R8,644,115 in respect of an Lease correction retrospectively.

The effect of the Correction of Error is as follows:

| | Current Portion of Long-term Liabilities | Creditors |
|--|---|--------------------|
| Balances as per AFS previously published for 2013/2014 | 22 371 958 | 169 578 267 |
| Restatement of Current Liabilities | (8 644 115) | (514 143) |
| Balances as per current AFS published for 2013/2014 | <u>13 727 843</u> | <u>169 064 124</u> |

39.6 Restatement of Non-Current Assets

The Municipality unbundled its Asset Register during a prior financial year. Certain errors (duplications and omissions) were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

| | Property, Plant and Equipment |
|--|----------------------------------|
| Balances as per AFS previously published for 2013/2014 | 1 281 007 356 |
| Restatement of non-current assets | (45 859 238) |
| Balances as per current AFS published for 2013/2014 | <u>1 235 148 117</u> |

39.7 Restatement of Depreciation:

The Municipality unbundled its Asset Register during a prior financial year. Certain errors (duplications and omissions) were discovered on the Asset Register during the current financial year. As a result the Depreciation expense (refer to note 31) have been restated to reflect these changes for the year, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

| | Depreciation on PPE |
|--|------------------------|
| Balances as per AFS previously published for 2013/2014 | 491 516 948 |
| Restatement of Depreciation | (12 465 574) |
| Balances as per current AFS published for 2013/2014 | <u>479 051 374</u> |

39.8 Adjustment of Revenue:

Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue.

The effect of the Correction of Error is as follows:

| | Service Charges | Other Income | Rental of Facilities and Equipment |
|---|--------------------|-------------------|---------------------------------------|
| Revenue as per AFS previously published for 2013/2014 | 835 048 151 | 36 945 396 | 17 795 473 |
| Adjustment of prior period revenue | 2 194 424 | 528 421 | (400) |
| Revenue as per AFS currently disclosed for 2013/2014 | <u>837 242 575</u> | <u>37 473 817</u> | <u>17 795 073</u> |

39.9 Adjustment of Expenses:

The prior year figure for Depreciation and Amortisation has been restated due to corrections made to the Asset Register. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:

| | Depreciation and Amortisation | Repairs and Maintenance |
|--|----------------------------------|----------------------------|
| Expenses as per AFS previously published for 2013/2014 | 41 988 288 | 64 256 615 |
| Adjustment of prior period expenses | 533 949 | (2 014 511) |
| Expenses as per AFS currently disclosed for 2013/2014 | <u>42 522 237</u> | <u>62 242 104</u> |

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non Exchange Transactions. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

| | Current Assets |
|--|--------------------|
| Expenses as per AFS previously published for 2013/2014 | 920 546 186 |
| Adjustment for prior period error | 31 291 830 |
| Expenses as per AFS currently disclosed for 2013/2014 | <u>951 838 015</u> |

SOL PLAATJE LOCAL MUNICIPALITY
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| | 2015 R | 2014 R |
|---|----------------------|----------------------|
| 40. CHANGE IN ACCOUNTING ESTIMATES | | |
| No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements. | | |
| 41. CASH GENERATED BY OPERATIONS | | |
| Surplus / (Deficit) for the Year | 230 521 559 | 263 162 591 |
| Adjustment for: | | |
| Adjusting non cash flow items prior errors | 21 149 608 | 31 539 496 |
| Depreciation and Amortisation | 46 080 952 | 42 522 237 |
| Contribution to Impairment Provision | 149 009 888 | 137 050 170 |
| Bad Debts Recovered | 5 220 119 | 596 309 |
| Bad Debts Written-off | (56 467 179) | (15 429 796) |
| Investment Income | (94 241 707) | (78 157 078) |
| Finance Costs | 30 458 023 | 28 056 345 |
| Operating surplus before working capital changes | 331 731 264 | 409 340 275 |
| (Increase)/Decrease in Inventories | (9 480 220) | (4 126 456) |
| (Increase)/Decrease in Consumer Debtors | (88 307 889) | (174 396 231) |
| (Increase)/Decrease in Other Debtors | (91 434 912) | (116 729 547) |
| (Increase)/Decrease in VAT Receivable | 2 914 728 | (941 643) |
| (Increase)/Decrease in Operating Lease Assets | 19 884 | (956) |
| Increase/(Decrease) in Consumer Deposits | 5 164 277 | 1 366 569 |
| Increase/(Decrease) in Creditors | (30 046 337) | 23 351 059 |
| Increase/(Decrease) in Conditional Grants and Receipts | 29 057 345 | (32 512 036) |
| (increase)/Decrease in provisions | (30 895 504) | 17 197 805 |
| Increase/(Decrease) in VAT Payable | (594 696) | 4 379 578 |
| Cash generated by / (utilised in) Operations | 118 127 940 | 126 928 417 |
| Income for the year | 1 737 900 569 | 1 665 244 933 |
| Adjustment for:- | | |
| Investment income | (94 241 707) | (78 157 078) |
| (Increase)/decrease in Consumer Debtors | (88 307 889) | (174 396 231) |
| Bad Debts Recovered | 5 220 119 | 596 309 |
| Bad Debts Written-off | (56 467 179) | (15 429 796) |
| (Increase)/Decrease in Operating Lease Assets | 19 884 | (956) |
| Increase/(Decrease) in Consumer Deposits | 5 164 277 | 1 366 569 |
| (Increase)/decrease in other debtors | (91 434 912) | (116 729 547) |
| (Decrease)/increase in conditional grants and receipts | 29 057 345 | (32 512 036) |
| Cash receipts from ratepayers, government and other | 1 446 910 507 | 1 249 982 166 |
| Expenditure for the year | 1 507 379 010 | 1 402 082 341 |
| Adjustment for:- | | |
| Depreciation | 46 080 952 | 42 522 237 |
| Contribution to bad debt provision | 149 009 888 | 137 050 170 |
| Adjusting non cash flow items prior errors | 21 149 608 | 31 539 496 |
| Interest paid | 30 458 023 | 28 056 345 |
| Operating expenditure before working capital changes: | 1 260 680 538 | 1 162 914 093 |
| (Increase)/Decrease in inventories | (9 480 220) | (4 126 456) |
| (Decrease)/Increase in creditors | (30 046 337) | 23 351 059 |
| (increase)/Decrease in provisions | (30 895 504) | 17 197 805 |
| (decrease)/Increase in VAT | 2 320 033 | 3 437 935 |
| Cash paid to suppliers and employees | 1 328 782 566 | 1 123 053 749 |
| Cash generated by/(utilized in) operations | 118 127 940 | 126 928 417 |
| 42. NON-CASH INVESTING AND FINANCING TRANSACTIONS | | |
| The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review. | | |
| 43. FINANCING FACILITIES | | |
| Unsecured Bank Overdraft Facility payable at call: | | |
| - Amount used | - | - |
| - Amount unused | - | - |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R |
|---|----------------------|----------------------|
| 44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| Long-term Liabilities (See Note 18) | 237 700 405 | 251 447 303 |
| Used to finance Property, Plant and Equipment - at cost | <u>(237 700 405)</u> | <u>(251 447 303)</u> |
| | <u>-</u> | <u>-</u> |
| Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. | | |

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

| | 2015 R | 2014 R | 2013 R |
|---|--------------------|-----------|-----------|
| Reconciliation of Unauthorised Expenditure: | | | |
| Opening balance | - | - | - |
| Unauthorised Expenditure current year | 2 823 634 | - | - |
| Approved by Council or condoned | <u>(2 823 634)</u> | <u>-</u> | <u>-</u> |
| Unauthorised Expenditure awaiting authorisation | <u>-</u> | <u>-</u> | <u>-</u> |

45.2 Fruitless and Wasteful Expenditure

| | 2015 R | 2014 R |
|---|------------------|------------------|
| Reconciliation of Fruitless and Wasteful expenditure: | | |
| Opening balance | 1 124 334 | 998 938 |
| Fruitless and Wasteful Expenditure current year | 119 692 | 301 200 |
| Fruitless and Wasteful Expenditure reversed | (416 261) | - |
| Written off by Council | <u>(708 073)</u> | <u>(175 804)</u> |
| Fruitless and Wasteful Expenditure awaiting condonement | <u>119 692</u> | <u>1 124 334</u> |

| Incident | Amount | Causes |
|--------------------------------------|---------|---|
| Interest and penalties paid to ESKOM | 119 692 | Interest and penalties paid to ESKOM on overdue accounts. |

45.3 Irregular Expenditure

| | 2015 R | 2014 R | 2013 R |
|--|---------------------|--------------------|---------------------|
| Reconciliation of Irregular Expenditure: | | | |
| Opening balance | 10 097 201 | 14 143 467 | 6 785 672 |
| Irregular Expenditure current year | 210 916 140 | 4 407 379 | 17 397 903 |
| Irregular Expenditure correction | 1 773 413 | 787 597 | - |
| Written off by Council or ratified by Accounting Officer | <u>(10 067 510)</u> | <u>(9 241 242)</u> | <u>(10 040 108)</u> |
| Irregular Expenditure awaiting condonement | <u>212 719 245</u> | <u>10 097 201</u> | <u>14 143 467</u> |

| Incident | Amount | Causes |
|---|-------------|---|
| Overpayment of councillors | 542 299 | Councillors were not remunerated in accordance with the upper limits as determined by the gazette issued in terms of the Remuneration of Public Office Bearers Act. |
| Bids awarded to companies owned/ managed/ controlled by people in service | 2 318 468 | Notification to bidders that they had been found to be in service of state, either by management or shareholders. |
| Payments made to ITRON | 3 612 386 | MPAC to investigate reasons for the delay of inviting tenders. |
| Employees occupying positions not on the organogram or whose contracts expired and in the process of renewal or extension | 202 577 487 | Council to approve the organogram. |
| Employees occupying positions not on the organogram or whose contracts expired and is in the process of renewal or | 3 668 604 | Human Resources to investigate and advise the Senior Managers accordingly. |

The nature of the above irregular expenditure have been disclosed, the extent is still under investigation.

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

| | 2015 R | 2014 R |
|---|--------------------|--------------------|
| Opening Balance | - | - |
| Council Subscriptions | 4 785 865 | 4 117 257 |
| Amount Paid - current year | <u>(4 785 865)</u> | <u>(4 117 257)</u> |
| Amount Paid - previous years | <u>-</u> | <u>-</u> |
| Balance Unpaid (included in Creditors) | <u>-</u> | <u>-</u> |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| | 2015 R | 2014 R | |
|---|---------------|---------------------------------|-------------------------------------|
| 46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued) | | | |
| 46.2 Audit Fees | | | |
| Opening Balance | - | - | |
| Current year Audit Fee | 3 619 608 | 4 374 711 | |
| Amount Paid - current year | (3 619 608) | (4 374 711) | |
| Amount Paid - previous years | - | - | |
| Balance Unpaid (included in Creditors) | - | - | |
| 46.3 VAT | | | |
| VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year. | | | |
| 46.4 PAYE and UIF | | | |
| Opening Balance | - | - | |
| Current year Payroll Deductions | 68 056 437 | 57 937 747 | |
| Amount Paid - current year | (68 056 437) | (57 937 747) | |
| Amount Paid - previous years | - | - | |
| Balance Unpaid (included in Creditors) | - | - | |
| 46.5 Pension and Medical Aid Deductions | | | |
| Opening Balance | - | - | |
| Current year Payroll Deductions and Council Contributions | 122 674 146 | 112 867 142 | |
| Amount Paid - current year | (122 674 146) | (112 867 142) | |
| Amount Paid - previous years | - | - | |
| Balance Unpaid (included in Creditors) | - | - | |
| 46.6 Councillor's arrear Consumer Accounts | | | |
| The following Councillors had arrear accounts outstanding for more than 90 days as at: | | | |
| 30 June 2015 | Total | Outstanding up to 90 days | Outstanding more than 90 days |
| PFJ Louw | 157 | - | 157 |
| MS Rosen | 1 793 | 1 388 | 405 |
| H Wyngaard (Settley) | 41 | - | 41 |
| NP Mthukwana | 116 | 66 | 50 |
| MJ Bishop | 381 | 320 | 61 |
| MP Thabane | 2 952 | 1 524 | 1 428 |
| SK Tsimakwane | 161 | - | 161 |
| SG Boqo | 71 | - | 71 |
| MG Nhlapo | 197 | 105 | 92 |
| EZ Mpampi | 6 047 | - | 6 047 |
| KM & TH Tong | 377 | - | 377 |
| WP/SE Doman | 122 | - | 122 |
| Total Councillor Arrear Consumer Accounts | 15 841 | 6 829 | 9 012 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

| 30 June 2014 | Total | Outstanding up to 90 days | Outstanding more than 90 days |
|--|---------------|---------------------------------|-------------------------------------|
| RA Pitt | 5 650 | 4 348 | 1 302 |
| H Wyngaard(Settley) | 1 596 | 225 | 1 371 |
| T Frans | 530 | 13 | 517 |
| SK Tsimakwane | 2 438 | 1 708 | 730 |
| Total Councillor Arrear Consumer Accounts | 10 214 | 6 293 | 3 920 |

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 55.17% (2014: 55.74%) is disclosed to the amount of:

| 2015 R | 2014 R |
|------------|------------|
| 36 519 978 | 36 914 528 |
| 75 045 838 | 51 510 868 |

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 22.19% (2014: 16.36%) is disclosed to the amount of:

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

| | |
|-------------------|--------------------|
| 54 230 135 | 103 875 178 |
| 54 230 135 | 103 875 178 |

- Approved but Not Yet Contracted for:-

Infrastructure

Community

Other

| | |
|-------------------|-------------------|
| 57 478 865 | 27 307 822 |
| 30 282 865 | 13 022 438 |
| 15 096 000 | 3 035 384 |
| 12 100 000 | 11 250 000 |

Total Capital Commitments

| | |
|--------------------|--------------------|
| 111 709 000 | 131 183 000 |
|--------------------|--------------------|

This expenditure will be financed from:

Government Grants

Own Resources

Total Capital Funding

| | |
|--------------------|--------------------|
| 64 276 000 | 88 927 000 |
| 47 433 000 | 42 256 000 |
| 111 709 000 | 131 183 000 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

| 48. FINANCIAL INSTRUMENTS | | 2015 R | 2014 R |
|---|--------------------------------------|---------------------------|---------------------------|
| 48.1 Classification | | | |
| FINANCIAL ASSETS: | | | |
| In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows: | | | |
| | <u>Financial Assets</u> | | <u>Classification</u> |
| Trade receivables from exchange transactions | | | |
| Electricity | Amortised cost | 34 774 822 | 38 938 514 |
| Refuse | Amortised cost | 16 370 812 | 16 401 854 |
| Sewerage | Amortised cost | 20 380 554 | 20 654 594 |
| Water | Amortised cost | 74 360 803 | 80 989 340 |
| Miscellaneous | Amortised cost | 109 663 051 | 104 551 975 |
| Market | Amortised cost | 299 028 | 273 834 |
| Housing Debtors | Amortised cost | 8 036 054 | 7 520 063 |
| Trade receivables from non exchange transactions | | | |
| Assessment Rates | Amortised cost | 332 578 964 | 237 749 367 |
| Government Subsidy Claims | Amortised cost | 16 818 525 | 78 807 956 |
| Miscellaneous debtors | Amortised cost | 58 030 472 | 6 802 100 |
| Traffic Fines | Amortised cost | 6 404 522 | 3 048 035 |
| Bank, Cash and Cash Equivalents | | | |
| Call Deposits | Amortised cost | 79 420 316 | 6 200 000 |
| Notice Deposits | Amortised cost | 178 460 169 | 314 391 355 |
| Cash Floats and Advances | Amortised cost | 16 820 | 15 470 |
| Operating Lease Assets | | | |
| Operating Lease Assets / Receivables | Amortised cost | 72 186 | 92 070 |
| SUMMARY OF FINANCIAL ASSETS | | | |
| Amortised cost | | | |
| Short-term Investment Deposits | Notice Deposits | 178 460 169 | 314 391 355 |
| | | <u>178 460 169</u> | <u>314 391 355</u> |
| Trade receivables from non-exchange transactions | Assessment Rates | 332 578 964 | 237 749 367 |
| Trade receivables from exchange transactions | Electricity | 34 774 822 | 38 938 514 |
| Trade receivables from exchange transactions | Refuse | 16 370 812 | 16 401 854 |
| Trade receivables from exchange transactions | Sewerage | 20 380 554 | 20 654 594 |
| Trade receivables from exchange transactions | Water | 74 360 803 | 80 989 340 |
| Trade receivables from exchange transactions | Miscellaneous | 109 663 051 | 104 551 975 |
| Trade receivables from exchange transactions | Market | 299 028 | 273 834 |
| Trade receivables from exchange transactions | Housing Debtors | 8 036 054 | 7 520 063 |
| Trade receivables from non-exchange transactions | Government Subsidy Claims | 16 818 525 | 78 807 956 |
| Trade receivables from non-exchange transactions | Miscellaneous debtors | 58 030 472 | 6 802 100 |
| Operating Lease Assets | Operating Lease Assets / Receivables | 72 186 | 92 070 |
| | | <u>671 385 270</u> | <u>592 781 668</u> |
| Bank Balances and Cash | Cash Floats and Advances | 16 820 | 15 470 |
| Short-term Investment Deposits | Call Deposits | 79 420 316 | 6 200 000 |
| | | <u>79 437 136</u> | <u>6 215 470</u> |
| Total Financial Assets | | <u>929 282 575</u> | <u>913 388 493</u> |
| FINANCIAL LIABILITIES: | | | |
| In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows: | | | |
| | <u>Financial Liabilities</u> | | <u>Classification</u> |
| Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 226 818 398 | 237 719 460 |
| Consumer Deposits | | | |
| Electricity and Water | Amortised cost | 21 848 411 | 16 684 134 |
| Creditors | | | |
| Trade Creditors | Amortised cost | 85 467 123 | 120 981 864 |
| Other Creditors | Amortised cost | 53 127 | 53 127 |
| Payments received in Advance | Amortised cost | 12 684 720 | 12 733 709 |
| Staff Bonuses | Amortised cost | 9 969 519 | 8 490 892 |
| Accrued leave | Amortised cost | 30 843 299 | 26 804 532 |
| Unspent Conditional Grants and Receipts | | | |
| Conditional Grants from Government | Amortised cost | 31 651 158 | 2 593 813 |
| Bank Overdraft | | | |
| Bank Balance | Amortised cost | | 15 407 715 |
| Current Portion of Long-term Liabilities | | | |
| Annuity Loans | Amortised cost | 10 882 007 | 13 727 843 |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Financial Liabilities at Amortised Cost: | | | |
| Long-term Liabilities | Annuity Loans | 226 818 398 | 237 719 460 |
| Consumer Deposits | Electricity and Water | 21 848 411 | 16 684 134 |
| Payables from exchange transactions | Trade Creditors | 85 467 123 | 120 981 864 |
| Payables from exchange transactions | Other Creditors | 53 127 | 53 127 |
| Unspent Conditional Grants and Receipts | Conditional Grants from Government | 31 651 158 | 2 593 813 |
| Bank Overdraft | Bank Overdraft | | 15 407 715 |
| Current Portion of Long-term Liabilities | Annuity Loans | 10 882 007 | 13 727 843 |
| Payables from exchange transactions | Payments received in Advance | 12 684 720 | 12 733 709 |
| Payables from exchange transactions | Staff Bonuses | 9 969 519 | 8 490 892 |
| Payables from exchange transactions | Accrued leave | 30 843 299 | 26 804 532 |
| | | <u>430 217 761</u> | <u>455 197 089</u> |
| Total Financial Liabilities | | <u>430 217 761</u> | <u>455 197 089</u> |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

48. FINANCIAL INSTRUMENTS (Continued)

48.2 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

| | 2015 R | 2014 R |
|---------------------------------|----------------------|----------------------|
| Net Debt | 430 217 761 | 455 197 089 |
| Equity | <u>1 900 111 738</u> | <u>1 669 590 179</u> |
| Net debt to equity ratio | 22.64% | 27.26% |

Debt is defined as Long term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes. Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these financial statements.

48.4 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality has very limited exposure to the financial risks of foreign currency.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

2015
R

2014
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

| <u>Financial Assets</u> | <u>Classification</u> | | |
|------------------------------|-----------------------|--------------------|--------------------|
| <u>External investments:</u> | | | |
| Call Deposits | Amortised cost | 79 420 316 | 6 200 000 |
| Notice Deposits | Amortised cost | 178 460 169 | 314 391 355 |
| Bank Balances (overdraft) | Amortised cost | | (15 407 715) |
| | | 257 880 485 | 305 183 640 |

Interest received

| | | |
|--|------------|------------|
| Interest Earned - External Investments | 21 164 955 | 21 412 753 |
| Interest rate | 8% | 7% |

Effect of a change in interest rate on interest earned from external investments:

| | | | |
|-----------------------------------|------------|------------|------------|
| Effect of change in interest rate | % | 7% | 6% |
| Effect of change in interest rate | Rand value | 18 586 150 | 18 360 917 |
| Effect of change in interest rate | % | 9% | 8% |
| Effect of change in interest rate | Rand value | 23 743 760 | 24 464 590 |

Outstanding debtors:

| | | | |
|--|----------------|--------------------|--------------------|
| Trade receivables from exchange transactions | Amortised cost | 263 885 124 | 269 330 175 |
| Trade receivables from non-exchange transactions | Amortised cost | 407 500 146 | 323 451 493 |
| | | 671 385 270 | 592 781 668 |

Interest received

| | | |
|---------------------------------------|------------|------------|
| Interest Earned - Outstanding Debtors | 73 076 752 | 56 744 324 |
| Interest rate | 11% | 10% |

Effect of a change in interest rate on interest earned from outstanding debtors

| | | | |
|-----------------------------------|------------|------------|------------|
| Effect of change in interest rate | % | 10% | 9% |
| Effect of change in interest rate | Rand value | 66 362 899 | 50 816 508 |
| Effect of change in interest rate | % | 12% | 11% |
| Effect of change in interest rate | Rand value | 79 790 604 | 62 672 141 |

Financial Liabilities

Long-term Liabilities

| | <u>Classification</u> | | |
|---------------------------------|-----------------------|--------------------|--------------------|
| Annuity Loans | Amortised cost | 226 818 398 | 237 719 460 |
| Annuity Loans - current portion | Amortised cost | 10 882 007 | 13 727 843 |
| | | 237 700 405 | 251 447 303 |

Interest paid

| | | |
|-----------------------|------------|------------|
| Long-term Liabilities | 30 458 023 | 28 056 345 |
| Interest rate % | 13% | 11% |

Effect of a change in interest rate on interest paid on long-term liabilities

| | | | |
|-----------------------------------|------------|------------|------------|
| Effect of change in interest rate | % | 12% | 10% |
| Effect of change in interest rate | Rand value | 28 081 019 | 25 541 872 |
| Effect of change in interest rate | % | 14% | 12% |
| Effect of change in interest rate | Rand value | 32 835 027 | 30 570 818 |

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48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2015

| Description | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|--|---------------------------------|--------------------|-------------------|--------------------|------------------|------------------|--------------------|
| | % | R | R | R | R | R | R |
| FIXED RATE INSTRUMENTS | | | | | | | |
| Bank Facilities | | 237 700 405 | 1 212 316 | 2 357 999 | 1 633 015 | 6 871 004 | 225 626 071 |
| Loan No 10113 : DBSA | 12.00% | 2 357 999 | | 2 357 999 | | | |
| Loan No 10616 : DBSA | 12.00% | 1 633 015 | | | 1 633 015 | | |
| Loan No 101452 : DBSA | 10.91% | 6 871 004 | | | | 6 871 004 | |
| Loan No 102855/1 : DBSA | 12.61% | 16 037 281 | | | | | 16 037 281 |
| Loan No 102855/2 : DBSA | 13.12% | 707 096 | 707 096 | | | | |
| Loan No 102855/3 : DBSA | 6.75% | 3 278 503 | | | | | 3 278 503 |
| Loan No 102855/4 : DBSA | 6.75% | 505 220 | 505 220 | | | | |
| Loan No 103958/2 : DBSA | 12.445% | 206 310 287 | | | | | 206 310 287 |
| Total Fixed Rate Instruments | | 237 700 405 | 1 212 316 | 2 357 999 | 1 633 015 | 6 871 004 | 225 626 071 |
| VARIABLE RATE INSTRUMENTS | | | | | | | |
| Short-term Investment Deposits | | 257 880 485 | 79 420 316 | 178 460 169 | | | |
| Bank Balances and Cash | | 16 820 | 16 820 | | | | |
| Housing guarantees | | 13 994 | | | | | 13 994 |
| Total Variable Rate Instruments | | 257 911 299 | 79 437 136 | 178 460 169 | - | - | 13 994 |

30 June 2014

| Description | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|--|---------------------------------|--------------------|------------------|--------------------|------------------|------------------|--------------------|
| | % | R | R | R | R | R | R |
| FIXED RATE INSTRUMENTS | | | | | | | |
| Bank Facilities | | 251 447 303 | - | 2 868 618 | 7 917 526 | 2 317 798 | 238 343 361 |
| Loan No 10112 : DBSA | 10.00% | 2 868 618 | | 2 868 618 | | | |
| Loan No 10113 : DBSA | 12.00% | 4 456 966 | | | 4 456 966 | | |
| Loan No 10616 : DBSA | 12.00% | 2 317 798 | | | | 2 317 798 | |
| Loan No 101452 : DBSA | 10.91% | 8 001 780 | | | | | 8 001 780 |
| Loan No 102855/1 : DBSA | 12.61% | 16 477 306 | | | | | 16 477 306 |
| Loan No 102855/2 : DBSA | 13.12% | 1 993 713 | | | 1 993 713 | | |
| Loan No 102855/3 : DBSA | 6.75% | 3 556 423 | | | | | 3 556 423 |
| Loan No 102855/4 : DBSA | 6.75% | 1 466 847 | | | 1 466 847 | | |
| Loan No 103958/2 : DBSA | 12.445% | 210 307 852 | | | | | 210 307 852 |
| Total Fixed Rate Instruments | | 251 447 303 | - | 2 868 618 | 7 917 526 | 2 317 798 | 238 343 361 |
| VARIABLE RATE INSTRUMENTS | | | | | | | |
| Short-term Investment Deposits | | 320 591 355 | 6 200 000 | 314 391 355 | | | |
| Bank Balances and Cash | | 15 470 | 15 470 | | | | |
| Housing guarantees | | 13 994 | | | | | 13 994 |
| Total Variable Rate Instruments | | 320 620 819 | 6 215 470 | 314 391 355 | - | - | 13 994 |

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48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2015

| Description | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|---|---------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | % | R | R | R | R | R | R |
| Non-interest Bearing | | | | | | | |
| - Consumer Deposits | | 21 848 411 | | | | | 21 848 411 |
| - Creditors | | 139 017 787 | 139 017 787 | | | | |
| - Unspent Conditional Grants | | 31 651 158 | | 31 651 158 | | | |
| Variable Interest Rate Instruments | | | | | | | |
| - Bank Overdraft | | - | | | | | |
| Fixed Interest Rate Instruments | | | | | | | |
| Loan No 10113 : DBSA | 12.00% | 2 573 180 | 1 286 590 | 1 286 590 | | | |
| Loan No 10616 : DBSA | 12.00% | 1 886 296 | 471 574 | 471 574 | 943 148 | | |
| Loan No 101452 : DBSA | 10.91% | 8 883 450 | 987 050 | 987 050 | 1 974 100 | 4 935 250 | |
| Loan No 102855/1 : DBSA | 12.61% | 31 311 142 | 1 252 446 | 1 252 446 | 2 504 892 | 7 514 675 | 18 786 684 |
| Loan No 102855/2 : DBSA | 13.12% | 753 827 | 753 827 | | | | |
| Loan No 102855/3 : DBSA | 6.75% | 3 850 686 | 256 712 | 256 712 | 513 425 | 1 540 275 | 1 283 562 |
| Loan No 102855/4 : DBSA | 6.75% | 522 400 | 522 400 | | | | |
| Loan No 103958/2 : DBSA | 12.45% | 450 438 210 | 15 014 607 | 15 014 607 | 30 029 214 | 90 087 642 | 300 292 140 |
| Finance Lease Liabilities | | - | | - | | - | |
| Total | | 692 736 546 | 159 562 993 | 50 920 137 | 35 964 778 | 104 077 841 | 342 210 797 |

30 June 2014

| Description | Average effective Interest Rate | Total | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years |
|---|---------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | % | R | R | R | R | R | R |
| Non-interest Bearing | | | | | | | |
| - Consumer Deposits | | 16 684 134 | | | | | 16 684 134 |
| - Creditors | | 169 064 124 | 169 064 124 | | | | |
| - Unspent Conditional Grants | | 2 593 813 | | 2 593 813 | | | |
| Variable Interest Rate Instruments | | | | | | | |
| - Bank Overdraft | | 15 407 715 | 15 407 715 | | | | |
| Fixed Interest Rate Instruments | | | | | | | |
| Loan No 10112 : DBSA | 10.00% | 3 086 013 | 1 543 007 | 1 543 007 | | | |
| Loan No 10113 : DBSA | 12.00% | 5 146 361 | 1 286 590 | 1 286 590 | 2 573 180 | | |
| Loan No 10616 : DBSA | 12.00% | 3 772 592 | 471 574 | 471 574 | 943 148 | 1 886 296 | |
| Loan No 101452 : DBSA | 10.91% | 10 857 547 | 987 050 | 987 050 | 1 974 100 | 5 922 299 | 987 049 |
| Loan No 102855/1 : DBSA | 12.61% | 36 320 926 | 1 252 446 | 1 252 446 | 2 504 892 | 7 514 675 | 23 796 468 |
| Loan No 102855/2 : DBSA | 13.12% | 2 261 480 | 753 827 | 753 827 | 753 827 | | |
| Loan No 102855/3 : DBSA | 6.75% | 4 877 536 | 256 712 | 256 712 | 513 425 | 1 540 275 | 2 310 412 |
| Loan No 102855/4 : DBSA | 6.75% | 1 567 199 | 522 400 | 522 400 | 522 400 | | |
| Loan No 103958/2 : DBSA | 12.45% | 510 496 638 | 15 014 607 | 15 014 607 | 30 029 214 | 90 087 642 | 360 350 568 |
| Finance Lease Liabilities | | - | | - | | - | |
| Total | | 782 136 079 | 206 560 051 | 24 682 025 | 39 814 185 | 106 951 187 | 404 128 631 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

48. FINANCIAL INSTRUMENTS (Continued)

48.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

| Counterparty and Location | 30 June 2015 Carrying Amount R | 30 June 2014 Carrying Amount R |
|-----------------------------|---|---|
| Department of Public Works | 173 057 836 | 121 949 259 |
| GW Rugby Union | 6 527 300 | 5 422 917 |
| WDC WDC Business Trust | 5 589 171 | |
| Department of Roads | 6 817 314 | 4 680 925 |
| De Beers Consolidated Mines | 22 968 672 | 4 349 246 |

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

| The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows: | 2015 R | 2014 R |
|---|--------------------|--------------------|
| Fixed Deposit Investments | 257 880 485 | 320 591 355 |
| Finance Lease Receivables | 1 280 169 | 1 614 248 |
| Consumer Debtors | 263 885 124 | 269 330 175 |
| Other Debtors | 413 832 482 | 326 407 458 |
| Bank, Cash and Cash Equivalents | 16 820 | 15 470 |
| Operating Lease Assets | 72 186 | 92 070 |
| Housing Guarantees | 13 994 | 13 994 |
| Maximum Credit and Interest Risk Exposure | 936 981 260 | 918 064 769 |

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

48. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

| The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows: | 2015 R | 2014 R |
|---|--------------------|--------------------|
| Households | 329 564 655 | 313 384 007 |
| Industrial/commercial | 98 651 894 | 83 777 613 |
| National and provincial government | 160 187 480 | 105 867 752 |
| Maximum Consumer Risk Exposure | 588 404 029 | 503 029 372 |

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All participating councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

34 949 970 53 421 094

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the Fund has a funding level of 99.5% as at 30 June 2012 and is therefor technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

Cape Joint Pension Fund:

The last statutory valuation was performed as at 30 June 2014. The fund underwent a restructuring and conversed to a defined contribution fund.

The statutory valuation performed as at 30 June 2014 revealed a funding level of 106.2% for the Pensioner Account, the Defined Contribution Section was 100% and the Defined Benefits Section 101.7% funded (total funding level 30 June 2013: 99.7%). The current contribution rate for the 32 DB active members translates into a shortfall of about R0.266 million per year. The Local Authority contribution rate increased to 26.77% for the 32 DB members.

Cape Retirement Fund:

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2014.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund has a funding level of 99.9% (2013: 100.2%) for the Share account and 112.6% (2013: 100%) for the Pension Account. The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2012 the SALA pension fund was 100% (1 July 2011: 98%) funded. The valuator indicated that funding level improved to 100% funded at the valuation date. The valuator recommended that the employers continue to contribute at the current rate.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

Municipal Employees Pension Fund:

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

National Fund for Municipal Workers:

At the valuation date of 30 June 2014 the National Fund for Municipal Workers the nett assets available for benefits equals the actuarial value of the assets (the same as 30 June 2013). The valuator stated that he was satisfied that the fund will continue to be able to meet its liabilities.

South African Municipal Workers Union National Provident Fund:

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2014 the Fund was 111.7% (June 2011: 111.1%) funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

| | Rates Charges R | Service Charges R | Sundry Charges R | Outstanding Balances R |
|--|--------------------------------|----------------------------------|---------------------------------|---------------------------------------|
| For the Year ended 30 June 2015 | | | | |
| Councillors | 110 867 | 432 584 | - | 15 841 |
| Municipal Manager and Section 57 Personnel | 86 549 | 326 039 | - | 43 022 |
| Total Services | 197 416 | 758 623 | - | 58 863 |
| For the Year ended 30 June 2014 | | | | |
| Councillors | 100 048 | 402 280 | - | 10 214 |
| Municipal Manager and Section 57 Personnel | 81 481 | 183 591 | - | 26 114 |
| Total Services | 181 529 | 585 872 | - | 36 328 |

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

50. RELATED PARTY TRANSACTIONS (Continued)

2015
R

2014
R

50.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties: all these were declared in the Municipal Bidding Documents.

| Name Supplier | Related Person | Municipal Capacity | Purchases for the year | Purchases for the year |
|---------------------------------|-----------------------|----------------------------------|-------------------------------|-------------------------------|
| N B Mechanical Sales | S Barnes | Nursing Sister | 16 453 033 | 4 198 946 |
| S&R Enterprises | S Barnes | Nursing Sister | 8 574 047 | 3 378 442 |
| MCD Painters | K Mcdonalds | Admin assistant | 77 188 | 87 759 |
| Qongo TG Trading | Mother | Nursing Sister | 1 739 575 | 898 966 |
| Naledi Chemicals | D De Haast | Department of Education | 293 316 | 204 105 |
| ASAP 1179 Trd as Meago Services | S Paulse | Librarian | 83 422 | 724 121 |
| Moedi Consulting Engineers | C Abrams | Dr Kenneth Kaunda D Municipality | 4 420 150 | 6 735 052 |
| J&B Communication | A Abbott | Working at IT | 341 777 | - |
| JS Medical & Surgical Suppliers | H Williams | Kimberley Hospital | 144 808 | 118 692 |
| Moribe creations Co Ltd | M.A. Scheepers | Agriculture/ Home Affairs | 22 070 | - |
| Panprop CC T/A Valudata | AJ De Klerk | Principal Clerk Properties | 68 314 | - |
| AURECON South Africa | PM Vilakazi | Councillor | 2 318 468 | - |
| Senzonhle Trading | DNA Holele | Communications Officer | 52 750 | - |
| SMEC South Africa | MN Phosa | Spouse is MEC in Mpumalanga | 977 872 | - |
| Elektro Vroomen | J Modise | NERSA | 753 658 | - |
| Total Purchases | | | 36 320 448 | 16 346 084 |

It should be noted that the municipality conducted business with GAP Electrical and that the spouse of the Audit Committee member Mr AL Kimmie, is a partner in the mentioned Company. However, the transaction was concluded in the normal terms and conditions applicable to all those who trade with the municipality. No undue influence was exerted by the Audit Committee referenced herein.

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

13 994

13 994

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

51.2 Court Proceedings:

| | | |
|--|-------------------|-------------------|
| 51.2.1 High Court matters | 83 079 911 | 68 457 462 |
| Various claims and litigation is in process. | | |
| 51.2.2 Litigation and claims in process | 4 053 157 | 1 881 460 |
| Various claims and litigation is in process. | | |
| 51.2.3 Labour matters (SALGBC) | 294 000 | 150 000 |
| Various cases involving Council. | | |
| 51.2.4 Magistrate court matters | 227 714 | 498 289 |
| Various cases involving Council. | | |
| | 87 654 781 | 70 987 211 |

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2015, the salary scales of Executive Directors were not finalised as yet as well as the implementation of task outcomes on fixed term contracts. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

51.3.2 Other cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2015

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance during the year under review.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Annexures "E(1), E(2) and E(3)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2014/15 financial year.

56. EVENTS AFTER THE REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the state of affairs of the municipality in future financial years.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

GRAP 32 Service Concession arrangements: Grantor

GRAP 108 Statutory receivables

GRAP 109 Accounting by Principals and Agents

Application of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

| EXTERNAL LOANS | Loan Number | Redeemable Date | Balance at 30/06/14 | Received during the period | Redeemed written off during the period | Balance at 30/06/15 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|------------------------------|--------------------|------------------------|----------------------------|-----------------------------------|---|----------------------------|--|--|
| LONG TERM LIABILITIES | | | R | R | R | R | R | R |
| ANNUITY LOANS | | | | | | | 224 363 239 | |
| DBSA Loan @ 10% | 10112 | 30-06-2015 | 2 868 618 | | 2 868 618 | - | | |
| DBSA Loan @ 12% | 10113 | 30-06-2016 | 4 456 966 | | 2 098 967 | 2 357 999 | | |
| DBSA Loan @ 12% | 10616 | 30-06-2017 | 2 317 798 | | 684 783 | 1 633 015 | | |
| DBSA Loan @ 10.91% | 101452 | 31-12-2019 | 8 001 780 | | 1 130 776 | 6 871 004 | | |
| DBSA Loan @ 12.61% | 102855/1 | 31-12-2028 | 16 477 306 | | 440 025 | 16 037 281 | | |
| DBSA Loan @ 13.12% | 102855/2 | 31-12-2015 | 1 993 713 | | 1 286 618 | 707 096 | | |
| DBSA Loan @ 6.75% | 102855/3 | 31-12-2023 | 3 556 423 | | 277 920 | 3 278 503 | | |
| DBSA Loan @ 6.75% | 102855/4 | 31-12-2015 | 1 466 847 | | 961 627 | 505 220 | | |
| DBSA Loan @ 12.445% | 103958/2 | 30-06-2031 | 210 307 851 | | 3 997 563 | 206 310 287 | | |
| Sub total DBSA | | | 251 447 303 | - | 13 746 898 | 237 700 405 | | |
| Total Annuity loans | | | 251 447 303 | - | 13 746 898 | 237 700 405 | 224 363 239 | - |
| LEASE LIABILITY | | | | | | | | |
| Various Finance Leases | | | - | | - | - | - | |
| TOTAL EXTERNAL LOANS | | | 251 447 303 | - | 13 746 898 | 237 700 405 | 224 363 239 | - |

APPENDIX B
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| | Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | Carrying Value | |
|-------------------------|------------------|------------|----------------------------|-----------------------|------------------------|--------------|-----------------|--------------------------|-----------------|------------|-----------------------|----------------|-----------------|
| | Opening Balance | Additions | Work in Progress Additions | Disposals/ Impairment | Work in Progress (WIP) | | | Closing Balance | Opening Balance | Additions | Disposals/ Impairment | | Closing Balance |
| | | | | | Opening Balance | Commissioned | Closing Balance | | | | | | |
| Infrastructure | | | | | | | | | | | | | |
| Electricity | 255 371 482 | 7 915 007 | 8 198 441 | | 116 569 830 | 105 437 002 | 19 331 269 | 271 484 930 | 84 994 131 | 4 321 176 | | 89 315 307 | 182 169 623 |
| Roads | 313 686 698 | 55 455 066 | | | 58 579 376 | 53 401 823 | 5 177 553 | 369 141 764 | 86 273 029 | 7 800 516 | 31 530 | 94 105 075 | 275 036 690 |
| Sewerage | 328 146 166 | | 43 873 028 | | 186 162 027 | 88 554 171 | 141 480 883 | 372 019 194 | 48 557 294 | 5 489 378 | 1 716 932 | 55 763 603 | 316 255 591 |
| Street Lights | 21 539 835 | | | | | | | 21 539 835 | 8 714 853 | 508 382 | | 9 223 235 | 12 316 600 |
| Storm Water | 59 585 549 | | 30 813 666 | | 2 856 474 | | 33 670 140 | 90 399 215 | 34 836 196 | 940 961 | 3 102 557 | 38 879 714 | 51 519 500 |
| Landfill Site | 31 638 435 | 1 943 262 | | (6 244 766) | | | | 27 336 931 | 7 983 346 | 2 150 463 | | 10 133 809 | 17 203 123 |
| Water | 243 266 429 | | 13 939 295 | | 31 131 732 | | 45 071 027 | 257 205 725 | 105 049 058 | 3 422 098 | 2 802 316 | 111 273 472 | 145 932 253 |
| | 1 253 234 595 | 65 313 335 | 96 824 430 | (6 244 766) | 395 299 439 | 247 392 997 | 244 730 872 | 1 409 127 594 | 376 407 905 | 24 632 975 | 7 653 334 | 408 694 215 | 1 000 433 379 |
| Community Assets | | | | | | | | | | | | | |
| Community Buildings | 259 482 612 | | 14 212 505 | (336 706) | 8 161 016 | | 22 373 521 | 273 358 411 | 36 952 495 | 7 461 961 | | 44 414 456 | 228 943 955 |
| Parks and Gardens | 37 087 807 | | 3 200 402 | | 2 020 893 | | 5 221 295 | 40 288 209 | 121 437 | | | 121 437 | 40 166 772 |
| Recreational Facilities | 43 986 256 | | | | 576 465 | | 576 465 | 43 986 256 | 4 949 902 | | | 4 949 902 | 39 036 353 |
| | 340 556 675 | - | 17 412 907 | (336 706) | 10 758 375 | - | 28 171 281 | 357 632 875 | 42 023 834 | 7 461 961 | - | 49 485 795 | 308 147 080 |
| Heritage Assets | | | | | | | | | | | | | |
| Heritage Assets | 6 801 944 | | | | | | | 6 801 944 | | | | - | 6 801 944 |
| | 6 801 944 | - | - | - | - | - | - | 6 801 944 | - | - | - | - | 6 801 944 |
| Leased Assets | | | | | | | | | | | | | |
| Various | - | | | | | | | - | - | | | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | | | | | | | | | | | | | |
| Emergency Equipment | 516 969 | 134 868 | | | | | | 651 838 | 138 766 | 59 592 | | 198 358 | 453 480 |
| Furniture & Fittings | 17 364 223 | 812 511 | | | | | | 18 176 735 | 12 242 642 | 2 308 998 | | 14 551 640 | 3 625 095 |
| Office Equipment | 18 569 922 | 3 930 796 | | | | | | 22 500 719 | 7 935 252 | 3 017 905 | | 10 953 157 | 11 547 562 |
| Kitchen Equipment | 1 060 376 | 121 756 | | | | | | 1 182 132 | 509 465 | 115 380 | | 624 845 | 557 287 |
| Laundry Equipment | 434 449 | 43 938 | | | | | | 478 387 | 293 898 | 51 251 | | 345 149 | 133 238 |
| Maintenance Equipment | 1 703 557 | 92 348 | | | | | | 1 795 904 | 862 497 | 208 620 | | 1 071 117 | 724 787 |
| Motor Vehicles | 78 062 802 | 9 340 654 | | | | | | 87 403 456 | 36 929 895 | 6 359 713 | | 43 289 608 | 44 113 847 |
| Other Buildings | 2 296 037 | 344 493 | | | | | | 2 640 531 | 1 566 550 | 246 442 | | 1 812 992 | 827 539 |
| Plant and Equipment | 258 030 | | | | | | | 258 030 | 140 670 | 12 596 | | 153 266 | 104 764 |
| Assets Held for Sale | 141 858 | | | | | | | 141 858 | | | | - | 141 858 |
| | 120 408 222 | 14 821 366 | - | - | - | - | - | 135 229 588 | 60 619 635 | 12 380 497 | - | 73 000 132 | 62 229 456 |
| | | | | | | | | | | | | | |
| Total | 1 721 001 436 | 80 134 701 | 114 237 337 | (6 581 472) | 406 057 813 | 247 392 997 | 272 902 153 | 1 908 792 002 | 479 051 374 | 44 475 434 | 7 653 334 | 531 180 142 | 1 377 611 860 |

APPENDIX C
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

| Directorate | Cost | | | | | | | Accumulated Depreciation | | | | Carrying Value | |
|------------------------------------|-----------------|------------|----------------------------|-------------|------------------------|--------------|-----------------|--------------------------|-----------------|------------|-----------|----------------|-----------------|
| | Opening Balance | Additions | Work in Progress Additions | Disposals | Work in Progress (WIP) | | | Closing Balance | Opening Balance | Additions | Disposals | | Closing Balance |
| | | | | | Opening Balance | Commissioned | Closing Balance | | | | | | |
| Executive and Council | 1 602 306 | 40 049 | | | | | | 1 642 355 | 51 988 | 10 618 | | 62 606 | 1 579 749 |
| Municipal General | 2 498 712 | 126 859 | | | | | | 2 625 571 | 83 111 | 16 974 | | 100 085 | 2 525 486 |
| Municipal Manager | 1 897 350 | 43 715 | | | | | | 1 941 065 | 61 444 | 12 549 | | 73 992 | 1 867 073 |
| Corporate Services | 31 807 738 | 284 095 | | | | | | 32 091 833 | 1 015 853 | 207 470 | | 1 223 323 | 30 868 510 |
| Community Services | 189 527 862 | 1 357 096 | 17 412 907 | (336 706) | 10 758 375 | | 28 171 282 | 207 961 159 | 48 606 752 | 8 806 406 | | 57 413 158 | 150 548 001 |
| Financial Services | 14 063 149 | 3 242 420 | | | | | | 17 305 569 | 547 800 | 111 879 | | 659 679 | 16 645 890 |
| Strategic and Economic Development | 37 004 112 | 112 812 | | | | | | 37 116 924 | 1 174 920 | 239 957 | | 1 414 876 | 35 702 048 |
| Infrastructure and Services | 1 442 600 207 | 74 927 655 | 96 824 430 | (6 244 766) | 395 299 438 | 247 392 997 | 244 730 871 | 1 608 107 526 | 427 509 507 | 35 069 581 | 7 653 334 | 470 232 423 | 1 137 875 103 |
| TOTAL | 1 721 001 436 | 80 134 701 | 114 237 337 | (6 581 472) | 406 057 813 | 247 392 997 | 272 902 153 | 1 908 792 002 | 479 051 374 | 44 475 434 | 7 653 334 | 531 180 142 | 1 377 611 860 |

APPENDIX D
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2015

| | 2015 Original Budget | 2015 Adjustment | 2015 Final Budget | 2015 Variance Original vs Final Budget % | 2015 Explanation of variances greater than 10% Original versus Final Budget | 2015 Actual Income & Expenditure R | 2015 Variance Actual vs Final Budget R | 2015 Variance Actual vs Final Budget % | 2015 Explanation of significant variances greater than 10% Actual versus Final Budget |
|------------------------------------|----------------------------|--------------------|-------------------------|--|---|--|--|--|---|
| | R | R | R | | | R | R | | |
| Income per directorate | | | | | | | | | |
| Executive and Council | – | – | – | | | 71 596 | 71 596 | 0% | No Income budgeted. |
| Municipal General | 300 330 000 | 69 023 700 | 369 353 700 | 23% | Increases on: grant funding for capital and interest received. | 370 215 178 | 861 478 | 0% | |
| Municipal Manager | 2 166 000 | (632 000) | 1 534 000 | -29% | Correction on other income. | 1 544 389 | 10 389 | 1% | |
| Corporate Services | 6 552 000 | 1 592 000 | 8 144 000 | 24% | Grant rolled over from previous year. | 7 691 293 | (452 707) | -6% | Grant income not realising. |
| Community Services | 33 457 000 | 2 150 000 | 35 607 000 | 6% | Decrease in other in income. | 34 901 486 | (705 514) | -2% | |
| Financial Services | 411 367 000 | – | 411 367 000 | 0% | | 411 059 844 | (307 156) | 0% | |
| Strategic and Economic Development | 8 039 000 | – | 8 039 000 | 0% | | 8 257 991 | 218 991 | 3% | |
| Infrastructure and Services | 975 426 077 | (3 164 308) | 972 261 769 | 0% | Increase in projected refuse income and housing project funding and decrease in projected electricity and water income. | 905 109 137 | (67 152 632) | -7% | Housing project income and expenditure handled as a suspense account. Income not realising. |
| Total | 1 737 337 077 | 68 969 392 | 1 806 306 469 | 4% | | 1 738 850 914 | (67 455 555) | -4% | |
| Expenditure per directorate | | | | | | | | | |
| Executive and Council | 38 247 376 | 200 000 | 38 447 376 | 1% | | 37 614 978 | (832 398) | -2% | |
| Municipal General | 311 639 083 | (7 480 000) | 304 159 083 | -2% | | 227 851 307 | (76 307 776) | -25% | Saving on expenditure and actuarial gain. |
| Municipal Manager | 16 512 054 | – | 16 512 054 | 0% | | 11 805 546 | (4 706 508) | -29% | General expenditure not realising and vacancies. |
| Corporate Services | 56 621 191 | 1 891 723 | 58 512 914 | 3% | Increase as a result of grant project rolled over. | 55 070 294 | (3 442 620) | -6% | |
| Community Services | 165 068 245 | 250 000 | 165 318 245 | 0% | Increase on maintenance expenditure. | 156 986 453 | (8 331 792) | -5% | |
| Financial Services | 101 509 867 | 2 534 482 | 104 044 349 | 2% | Increase on bank charges and SCOA. | 96 001 276 | (8 043 073) | -8% | Saving on vacancies not filled. |
| Strategic and Economic Development | 38 722 697 | 740 640 | 39 463 337 | 2% | Increase on projects. | 36 306 023 | (3 157 314) | -8% | General expenditure not realising and vacancies. |
| Infrastructure and Services | 904 263 000 | 66 386 033 | 970 649 033 | 7% | Increase on projects re housing, sewer, streets, maintenance and bulk water. | 878 709 639 | (91 939 394) | -9% | Housing project income and expenditure handled as a suspense account. Savings on Bulk, salaries, interest, maintenance and general expenditure. |
| Total | 1 632 583 513 | 64 522 878 | 1 697 106 391 | 4% | | 1 500 345 516 | (196 760 875) | -12% | Due to the savings in general expenditure, finance costs and repairs and maintenance cost. |
| Surplus/(Deficit) | 104 753 564 | 4 446 514 | 109 200 078 | 4% | Increase on grant funding for capital. | 238 505 398 | 129 305 320 | 118% | Due to the savings in expenditure . |

APPENDIX E(1)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 Actual | 2015 Original Budget | 2015 Adjustment | 2015 Final Budget | 2015 Variance Original vs Final Budget % | 2015 Explanation of variances greater than 10% Original versus Final Budget | 2015 Variance Actual vs Final Budget R | 2015 Variance Actual vs Final Budget % | 2015 Explanation of significant variances greater than 10% Actual versus Final Budget |
|--|----------------------|----------------------------|--------------------|-------------------------|--|---|--|--|---|
| | R | R | R | R | % | | R | % | |
| REVENUE | | | | | | | | | |
| Property Rates | 398 920 589 | 397 946 459 | - | 397 946 459 | 0% | | 974 130 | 0% | |
| Service Charges | 888 147 879 | 962 195 397 | (54 300 000) | 907 895 397 | -6% | | (19 747 518) | -2% | |
| Rental of Facilities and Equipment | 16 373 950 | 17 606 040 | - | 17 606 040 | 0% | | (1 232 090) | -7% | Due to decrease in transactions. |
| Interest Earned - External Investments | 21 164 955 | 12 000 000 | 4 000 000 | 16 000 000 | 19% | Due to increase in investments. | 5 164 955 | 32% | Due to increase in investments. |
| Interest Earned - Outstanding Debtors | 73 076 752 | 45 000 000 | 20 000 000 | 65 000 000 | 27% | Due to increases in debtors and interest rate. | 8 076 752 | 12% | Due to increases in debtors and interest rate. |
| Fines | 12 011 428 | 7 635 300 | 4 000 000 | 11 635 300 | 33% | | 376 128 | 3% | Due to IGRAP implementation. |
| Licenses and Permits | 2 955 091 | 2 672 000 | - | 2 672 000 | 0% | | 283 091 | 11% | Due to increase in transactions. |
| Income for Agency Services | 5 037 994 | 4 900 000 | - | 4 900 000 | 0% | | 137 994 | 3% | Due to increase in transactions. |
| Government Grants and Subsidies | 282 036 220 | 253 637 000 | 46 615 651 | 300 252 651 | 17% | Due to capital projects being rolled over. | (18 216 431) | -6% | Due to capital projects to be rolled over. |
| Public Contributions and Donations | 3 812 828 | - | - | - | 0% | | 3 812 828 | 0% | Not budgeted. |
| Other Income | 33 704 935 | 33 744 881 | 48 653 741 | 82 398 622 | 144% | Due to adjusting housing project income. | (48 693 687) | -59% | Due to adjusting housing project income and expenditure. |
| Gains on disposal of property, plant and equipment | 657 947 | - | - | - | 0% | | 657 947 | 0% | Not budgeted. |
| Total Revenue | 1 737 900 569 | 1 737 337 077 | 68 969 392 | 1 806 306 469 | 4% | | (68 405 900) | -4% | |
| EXPENDITURE | | | | | | | | | |
| Employee Related Costs | 463 300 811 | 547 623 564 | 4 000 000 | 551 623 564 | 1% | | (88 322 753) | -16% | Due to gain on actuarial valuation. |
| Remuneration of Councillors | 19 841 066 | 19 967 560 | - | 19 967 560 | 0% | | (126 494) | -1% | |
| Impairment Losses | 143 165 133 | 145 000 000 | - | 145 000 000 | 0% | | (1 834 867) | -1% | Due to impairment of debtors. |
| Collection Costs | 1 061 059 | 1 800 000 | - | 1 800 000 | 0% | | (738 941) | -41% | Due to savings. |
| Depreciation | 46 080 952 | 52 550 000 | - | 52 550 000 | 0% | | (6 469 048) | -12% | Due to work in progress not depreciated. |
| Repairs and Maintenance | 82 513 405 | 87 135 457 | 3 600 000 | 90 735 457 | 4% | Projected expenditure and need for maintenance increased. | (8 222 052) | -9% | Due to savings after increase in adjustment budget. |
| Finance Costs | 30 458 023 | 36 559 195 | (2 000 000) | 34 559 195 | -7% | Due to savings (loan phased in). | (4 101 172) | -12% | Due to savings as a result of phasing in loan. |
| Bulk Purchases | 404 460 624 | 422 000 000 | 3 000 000 | 425 000 000 | 1% | | (20 539 376) | -5% | Due to saving on electricity bulk purchased. |
| Grants and Subsidies Paid | 58 193 634 | 54 750 000 | 620 000 | 55 370 000 | 1% | | 2 823 634 | 5% | Due to revision in policy and verification process of indigents. |
| General Expenses - Other | 250 650 967 | 265 197 737 | 55 302 878 | 320 500 615 | 22% | Due to adjusting housing project and other expenditure. | (69 849 648) | -22% | Due to savings and adjusting housing project expenditure. |
| Impairment of property, plant and equipment | 7 653 334 | - | - | 0 | 0% | | 7 653 334 | 0% | |
| Total Expenditure | 1 507 379 010 | 1 632 583 513 | 64 522 878 | 1 697 106 391 | 4% | | (189 727 381) | -11% | Due to the savings in general expenditure, finance costs and repairs and maintenance cost. |
| NET SURPLUS FOR THE YEAR | 230 521 559 | 104 753 564 | 4 446 514 | 109 200 078 | 2% | | 121 321 481 | 111% | Due to the savings in expenditure . |

APPENDIX E(2)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

| Directorate | 2015 Actual Additions | 2015 Work in Progress Additions | 2015 Total Additions | 2015 Original Budget | 2015 Adjustment | 2015 Final Budget | 2015 Variance Original vs Final Budget % | 2015 Explanation of variances greater than 10% Original versus Final Budget | 2015 Variance Actual vs Final Budget R | 2015 Variance Actual vs Final Budget % | 2015 Explanation of significant variances greater than 10% Actual versus Final Budget |
|------------------------------------|-----------------------------|--|----------------------------|----------------------------|--------------------|-------------------------|--|---|--|--|---|
| | R | R | R | R | R | R | | | | | |
| Executive and Council | 40 049 | - | 40 049 | - | 41 000 | 41 000 | #DIV/0! | Loose equipment budget. | (951) | -2% | |
| Municipal General | 126 859 | - | 126 859 | - | 130 000 | 130 000 | #DIV/0! | Loose equipment budget. | (3 141) | -2% | |
| Municipal Manager | 43 715 | - | 43 715 | - | 45 000 | 45 000 | #DIV/0! | Loose equipment budget. | (1 285) | -3% | |
| Corporate Services | 284 095 | - | 284 095 | - | 285 000 | 285 000 | #DIV/0! | Loose equipment budget. | (905) | 0% | |
| Community Services | 1 357 096 | 17 412 907 | 18 770 003 | 12 994 000 | 5 820 000 | 18 814 000 | 45% | New projects added and roll over project. | (43 997) | 0% | |
| Financial Services | 3 242 420 | - | 3 242 420 | 1 000 000 | 2 250 000 | 3 250 000 | 225% | New project added. | (7 580) | 0% | |
| Strategic and Economic Development | 112 812 | - | 112 812 | 10 250 000 | (10 135 000) | 115 000 | -99% | Projects moved to Infrastructure assets. | (2 188) | -2% | |
| Infrastructure and Services | 74 927 655 | 96 824 430 | 171 752 085 | 106 938 000 | 120 608 000 | 227 546 000 | 113% | Add additional projects and rolled over projects. | (55 793 915) | -25% | Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects moved to Infrastructure and have not being completed. |
| TOTAL | 80 134 701 | 114 237 337 | 194 372 038 | 131 182 000 | 119 044 000 | 250 226 000 | 91% | Add additional projects and rolled over projects. | (55 853 962) | -22% | Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects moved to Infrastructure and have not being completed. |

APPENDIX E(3)
SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 Actual | 2015 Original Budget | 2015 Adjustment | 2015 Final Budget | 2015 Variance Original vs Final Budget % | 2015 Explanation of variances greater than 10% Original versus Final Budget | 2015 Variance Actual vs Final Budget R | 2015 Variance Actual vs Final Budget % | 2015 Explanation of variances greater than 10% Actual versus Final Budget |
|---|----------------------|----------------------------|----------------------|-------------------------|--|--|--|--|---|
| | R | R | R | R | | | R | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | |
| Cash receipts from Ratepayers, Government and Other | 1 446 910 507 | 1 557 691 000 | 54 323 000 | 1 612 014 000 | 3% | Due to adjusting housing project income, grants and service charges. | (165 103 493) | -10% | Due to adjusting housing project income and income not realising. |
| Cash paid to Suppliers and Employees | 1 328 782 566 | 1 383 735 000 | 63 328 000 | 1 447 063 000 | 4% | Due to adjusting housing project expenditure, bulk purchase of water and electricity and other expenditures. | (118 280 434) | -8% | Due to the savings in general expenditure, finance costs, repairs and maintenance cost. |
| Cash generated from / (utilised in) Operations | 118 127 940 | 173 956 000 | (9 005 000) | 164 951 000 | | | | | |
| Interest received | 94 241 707 | 23 250 000 | 57 750 000 | 81 000 000 | 71% | Due to increase in investments and interest on debtors. | 13 241 707 | 16% | Investment income increased above expectations. |
| Interest paid | (30 458 023) | (36 559 000) | 2 000 000 | (34 559 000) | -6% | Due to savings on loan interest. | 4 100 977 | -12% | Due to savings on loan interest. |
| NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES | 181 911 624 | 160 647 000 | 50 745 000 | 211 392 000 | | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | |
| Purchase of Property, Plant and Equipment | (194 372 038) | (131 183 000) | (119 043 000) | (250 226 000) | 48% | Projects not completed before year end and new projects added. | 55 853 962 | -22% | Projects not completed before year end and Vat transferred to own income. |
| Purchase of Intangible Assets | (3 534 525) | | | | | | (3 534 525) | | Project re-categorised. |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | (197 906 563) | (131 183 000) | (119 043 000) | (250 226 000) | | | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | |
| Loans repaid | (13 746 898) | (15 827 000) | - | (15 827 000) | 0% | | 2 080 102 | -13% | Due to savings on loan. |
| NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES | (13 746 898) | (15 827 000) | - | (15 827 000) | | | | | |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | (29 741 836) | 13 637 000 | (68 298 000) | (54 661 000) | | | | | |
| Cash and Cash Equivalents at the beginning of the year | 305 199 110 | 236 901 000 | 68 298 000 | 305 199 000 | | | | | |
| Cash and Cash Equivalents at the end of the year | 275 457 274 | 250 538 000 | - | 250 538 000 | | | | | |

APPENDIX F
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2015

| Name of Grants | Name of organ of state or municipal entity | Total Receipts for the Year | Total Expenditure for the Year | Delay \ withheld | Gazette amount Municipal year | Reason for delay/ withholding of funds | Did the municipality comply with the grant conditions in terms of grant framework in the | Reason for non-compliance |
|----------------------------|--|-----------------------------|--------------------------------|-------------------|-------------------------------|--|--|---------------------------|
| | | Total | Total | Total | Total | | Yes / No | |
| Library Services | Provincial | 4 563 000 | 4 563 000 | - | 4 563 000 | None | Yes | None |
| Primary Health | Provincial | 1 068 167 | 2 809 000 | 1 740 833 | 2 809 000 | Partial Payment. Revenue accrued. Debtor increased to R5 395 666 | Yes | None |
| EPWP | Provincial | 5 330 000 | 5 330 000 | - | 5 330 000 | None | Yes | None |
| Equitable Share | National | 145 440 000 | N/A | - | 145 440 000 | None | Yes | None |
| ACIP | National | 5 000 000 | 6 002 089 | - | N/A | None | Yes | None |
| Financial Management Grant | National | 1 600 000 | 1 600 000 | - | 1 600 000 | None | Yes | None |
| MIG | National | 47 211 000 | 47 211 000 | - | 47 211 000 | None | Yes | None |
| MSIG | National | 934 000 | 934 000 | - | 934 000 | None | Yes | None |
| INEP | National | 3 000 000 | 3 000 000 | - | 3 000 000 | None | Yes | None |
| ISDG (Skills) | National | 2 500 000 | 3 299 619 | - | 2 500 000 | None | Yes | None |
| Frances Baard Municipality | Municipality | 2 760 640 | 8 756 713 | 5 996 073 | N/A | Partial Payment. Revenue accrued, debtor raised of R5 996 073 | N/A | None |
| Coghsta | Provincial | 18 021 109 | 43 862 873 | 25 841 765 | N/A | Partial Payment. Revenue accrued, debtor raised of R20 009 471 | Yes | None |
| GURP | Provincial | - | 3 399 902 | 3 399 902 | 5 250 000 | Revenue accrued. Debtor increased to R4 360 192 | Yes | None |
| RBIG | National | 36 687 077 | 5 828 023 | - | 30 000 000 | None | Yes | None |
| Total | | 274 114 992 | 136 596 220 | 36 978 573 | 248 637 000 | | | |

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by National Government.

APPENDIX G
SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2015

| DocNo. | Service Provider | Service Rendered / Product Purchased | Financial Implications | Line Manager | Motivation |
|------------|---|--|------------------------|-------------------------|-------------------|
| 1/2014/15 | Taranawa Computer Software Solutions | The Municipality Procured a comprehensive GRAP financial System with sub-financial systems to complement it | 213 706 | ZL Mahloko | Exceptional cases |
| 2/2014/15 | Record Engineering Sales cc | Riverton WTP high lift Pump # 6 repairs | 362 022 | HF Harding | Sole Provider |
| 3/2014/15 | Sulzer Pumps South Africa (Pty) Ltd | Repair and overhaul of Riverton Pump | 1 097 753 | HF Harding | Sole Provider |
| 4/2014/15 | Bell Equipment Sales SA Ltd | Repair to Bell Landfill Compactor at the refuse dumping site (Turbo Charger) | 87 926 | A Samson | Sole Provider |
| 5/2014/15 | Arpco Kontrakteurs | Supply and Installation of additional sewer chambers, Seeduif Street, Roodepan | 264 487 | HF Harding | An Emergency |
| 6/2014/15 | Hatz Diesel Engine (SA) (PTY) LTD | Repairs of vehicles(D313) fitted with a Hatz Diesel Engine | 56 685 | MW Du Plessis | Sole Provider |
| 7/2014/15 | Gariep Motors (Pty) Ltd | Supply reconditioned ADE 447n-11967 | 102 600 | TJ Khweshiwe | Sole Provider |
| 8/2014/15 | Imperial Trucks Centre Bloemfontein | Purchase of Isuzu engine 65D1737499 | 184 943 | TJ Khweshiwe | Sole Provider |
| 9/2014/15 | Esri South Africa | Capped Enterprise License Agreement | 1 641 429 | M Mudau | Sole Provider |
| 10/2014/15 | Quemic | Purchase of firearms (Glock Pistols) for SPM Security Department | 153 750 | JB Anthony | Exceptional cases |
| 11/2014/15 | Imperial Trucks Centre Bloemfontein | Repairs / reconditioning needed to be done to the Allison transmission of refuse compactor | 122 919 | P Gray | Sole Provider |
| 12/2014/15 | APE Pumps | Riverton WTP low lift Pump # 6 repairs | 34 128 | HF Harding | Sole Provider |
| 13/2014/15 | APE Pumps | Riverton WTP low lift Pump # 7 repairs | 505 994 | HF Harding | Sole Provider |
| 14/2014/15 | Bell Equipment Sales SA Ltd | Repair oil leak on hydraulic pump on Bell HD800 Excavator | 60 367 | P Gray | Sole Provider |
| 15/2014/15 | Earth Moving Machinery & Truck Parts (EMT) | Repairs to specialised Allison transmission of refuse removal compactor D501 | 86 669 | P Gray | Sole Provider |
| 16/2014/15 | Super Armature Winding Africa (PTY) LTD | Riverton WTP Electrical Motor Ser # E/65900 Repairs. | 97 252 | HF Harding | Sole Provider |
| 17/2014/15 | Super Armature Winding Africa (PTY) LTD | Riverton WTP Electrical Motor Ser # 151127-01 Repairs. | 100 141 | HF Harding | Sole Provider |
| 18/2014/15 | MRB Property Valuations | Valuation of certain property in the rural area within the Sol Plaatje Municipality boundaries | 233 000 | Adv A Kloppe | Exceptional cases |
| 19/2014/15 | Bell Equipment Sales SA Ltd | Supply and fit Cutting Edges to Landfill Machine | 47 905 | LTC Pietersen | Sole Provider |
| 20/2014/15 | Premier Auto Bloemfontein | Electrical repairs on International Refuse Compactor - D102 | 38 604 | P Gray | Sole Provider |
| 21/2014/15 | Nosa (PTY) LTD | Implementation of SHE Management system as per presentation and project plan (3 months) | 547 200 | Executive Management | Exceptional cases |
| 22/2014/15 | University of Fort Hare | Salga negotiated training with the University of Fort Hare for all Councillors in LG as part of career Development and Professionalization | 450 000 | Elizabeth | Exceptional case |
| 23/2014/15 | Outeniqua Leadership Institute | Competency Assessment: 22 Unit standards, Examination, Moderation & Certification | 420 000 | ZL Mahloko | Exceptional case |
| 24/2014/15 | Magnis Trucks Bloemfontein | Replace flywheel & Clutch Booster | 40 515 | AC Samson | Sole Provider |
| 25/2014/15 | Record Engineering Sales cc | Riverton WTP high lift Pump # 6 repairs | 81 081 | HF Harding | Sole Provider |
| 26/2014/15 | Metsi Chem International | Supply and delivery of filter nozzles | 436 640 | HF Harding | An Emergency |
| 27/2014/15 | Arpco Kontrakteurs | Supply and Installation of additional sewer chambers in Nobengula Street and horizontal Drilling between chambers in Peace Street , Kagisho | 146 956 | HF Harding | Exceptional cases |
| 28/2014/15 | Linri Enterprises cc | Editing, Proof - reading, Design and Layout of Sol Plaatje's Annual Report for the period 2013/14 | 97 871 | ZL Mahloko | Sole Provider |
| 29/2014/15 | First Technology (Central) (Pty) Ltd | Digital storage for SCOA compliance project | 367 436 | ZL Mahloko | Exceptional cases |
| 30/2014/15 | Woodrow Engineering Sales cc | Electrical panels for Sewer Pumps Station, Eagle Street, Roodepan | 232 063 | MG Tsoai | Exceptional cases |
| 31/2014/15 | Electro Cuts Pty Ltd | Disconnection and Reconnection of Consumer Electricity in Sol Plaatje Municipality | No Payments | NB Zwane/ MG Tsoai | Exceptional cases |
| 32/2014/15 | Mpisi Trading 75 (Pty) Ltd T/A Coastal HIRE | External Hire of Machinery (Extension of contract that has expired) | 60 652 | T Raseobi | Exceptional cases |
| 32/2014/15 | Pantsi Construction and Plant Hire | External Hire of Machinery (Extension of contract that has expired) | 2 175 384 | T Raseobi | Exceptional cases |
| 32/2014/15 | Weird Industries cc | External Hire of Machinery (Extension of contract that has expired) | 6 511 924 | T Raseobi | Exceptional cases |
| 33/2014/15 | Knowledge Base Sales (Pty) Ltd | Civil Designer (specialized design software) and related in-house training services | 459 249 | M Van Zyl | Sole Provider |
| 34/2014/15 | Nthuseng Technical Training Centre | Assistant ARC Welder Training | 94 028 | I Mazzoncini | Sole Provider |
| 35/2014/15 | Clinksales Maughan- Brown (South) Pty Ltd | Preparation of Specifications and Evaluation of bids received for the services: prepayment electricity meter vending (including third party vending) and | 294 092 | Adv A Kloppe/ J Modutle | Exceptional Cases |
| 36/2014/15 | Imperial Trucks Centre Bloemfontein | Remove, Repair and Replace transmission of Isuzu FVZ Refuse Compactor (D127) | 147 295 | P Gray | Exceptional cases |
| 37/2014/15 | GCP Construction cc | Provision of labour and supervision services due to additional work identified form the original contract scope | 128 700 | DH Leeuw | Exceptional cases |
| 38/2014/15 | Ronre Electrical Enterprises | Protection relays for electrical substations | 444 000 | N Sinombe | An Emergency |

NC091 Sol Plaatje - Reconciliation of Table A1 Budget Summary

| Description | 2014/15 | | | | | | | | 2013/14 | | | |
|--|------------------|---|--------------------------|------------------|--------------------------|------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| | | | | | | | | | | | | |
| R thousands | | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | | |
| Property rates | 397 946 | – | 397 946 | 398 921 | | 974 | 100.2% | 100.2% | | | | 368 225 |
| Service charges | 962 195 | (54 300) | 907 895 | 888 148 | | (19 748) | 97.8% | 92.3% | | | | 837 243 |
| Investment revenue | 12 000 | 4 000 | 16 000 | 21 165 | | 5 165 | 132.3% | 176.4% | | | | 21 413 |
| Transfers recognised - operational | 164 710 | 5 132 | 169 842 | 168 281 | | (1 561) | 99.1% | 102.2% | | | | 166 601 |
| Other own revenue | 111 558 | 72 654 | 184 212 | 143 818 | | (40 394) | 78.1% | 128.9% | | | | 130 890 |
| Total Revenue (excluding capital transfers and contributions) | 1 648 410 | 27 486 | 1 675 896 | 1 620 332 | | (55 564) | 96.7% | 98.3% | | | | 1 524 371 |
| Employee costs | 547 624 | 4 000 | 551 624 | 463 301 | – | (88 323) | 84.0% | 84.6% | – | – | – | 474 749 |
| Remuneration of councillors | 19 968 | – | 19 968 | 19 841 | – | (126) | 99.4% | 99.4% | – | – | – | 18 459 |
| Debt impairment | 145 000 | – | 145 000 | 143 165 | – | (1 835) | 98.7% | 98.7% | – | – | – | 126 810 |
| Depreciation & asset impairment | 52 550 | – | 52 550 | 46 081 | – | (6 469) | 87.7% | 87.7% | – | – | – | 42 522 |
| Finance charges | 36 559 | (2 000) | 34 559 | 30 458 | – | (4 101) | 88.1% | 83.3% | – | – | – | 28 056 |
| Materials and bulk purchases | 509 135 | 6 600 | 515 735 | 486 974 | – | (28 761) | 94.4% | 95.6% | – | – | – | 443 247 |
| Transfers and grants | 54 750 | 620 | 55 370 | 58 194 | – | 2 824 | 105.1% | 106.3% | – | – | – | 19 564 |
| Other expenditure | 266 997 | 55 303 | 322 300 | 259 365 | – | (62 935) | 80.5% | 97.1% | – | – | – | 248 674 |
| Total Expenditure | 1 632 584 | 64 523 | 1 697 106 | 1 507 379 | – | (189 727) | 88.8% | 92.3% | – | – | – | 1 402 082 |
| Surplus/(Deficit) | 15 826 | (37 037) | (21 210) | 112 953 | | 134 164 | -532.5% | 713.7% | | | | 122 289 |
| Transfers recognised - capital | 88 927 | 41 483 | 130 411 | 113 756 | | (16 655) | 87.2% | 127.9% | | | | 140 153 |
| Contributions recognised - capital & contributed assets | – | – | – | 3 813 | | 3 813 | | | | | | 721 |
| Surplus/(Deficit) after capital transfers & contributions | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |
| Share of surplus/ (deficit) of associate | – | – | – | – | | – | – | – | | | | – |
| Surplus/(Deficit) for the year | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |
| Capital expenditure & funds sources | | | | | | | | | | | | |
| Capital expenditure | 131 183 | 119 044 | 250 226 | 197 907 | | (52 320) | 79.1% | 150.9% | | | | 240 295 |
| Transfers recognised - capital | 88 927 | 41 483 | 130 411 | 113 756 | | (16 655) | 87.2% | 127.9% | | | | 140 153 |
| Public contributions & donations | – | – | – | – | | – | – | – | | | | – |
| Borrowing | – | – | – | – | | – | – | – | | | | 64 803 |
| Internally generated funds | 42 255 | 77 561 | 119 816 | 84 151 | | (35 665) | 70.2% | 199.1% | | | | 35 338 |
| Total sources of capital funds | 131 183 | 119 044 | 250 226 | 197 907 | | (52 320) | 79.1% | 150.9% | | | | 240 295 |
| Cash flows | | | | | | | | | | | | |
| Net cash from (used) operating | 159 384 | 52 008 | 211 391 | 181 912 | | (29 480) | 86.1% | 114.1% | | | | 177 029 |
| Net cash from (used) investing | (131 183) | (119 043) | (250 226) | (197 907) | | 52 319 | 79.1% | 150.9% | | | | (240 295) |
| Net cash from (used) financing | (14 564) | (1 263) | (15 827) | (13 747) | | 2 080 | 86.9% | 94.4% | | | | 44 500 |
| Cash/cash equivalents at the year end | 318 837 | (68 299) | 250 538 | 275 457 | | 24 919 | 109.9% | 86.4% | | | | 305 199 |

NC091 Sol Plaatje - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

| Description | 2014/15 | | | | | | | | 2013/14 | | | |
|--|-----------------|---|-----------------------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousand | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue - Standard | | | | | | | | | | | | |
| Governance and administration | 720 716 | 69 983 | 790 700 | 790 832 | | 132 | 100.0% | 109.7% | | | | 775 608 |
| Executive and council | 302 496 | 68 392 | 370 888 | 371 831 | | 943 | 100.3% | 122.9% | | | | 389 002 |
| Budget and treasury office | 403 348 | – | 403 348 | 411 060 | | 7 712 | 101.9% | 101.9% | | | | 379 124 |
| Corporate services | 14 872 | 1 592 | 16 464 | 7 941 | | (8 523) | 48.2% | 53.4% | | | | 7 483 |
| Community and public safety | 34 244 | 53 286 | 87 530 | 36 859 | | (50 671) | 42.1% | 107.6% | | | | 37 561 |
| Community and social services | 16 147 | 3 150 | 19 297 | 19 304 | | 8 | 100.0% | 119.6% | | | | 15 697 |
| Sport and recreation | 6 351 | (1 000) | 5 351 | 3 410 | | (1 941) | 63.7% | 53.7% | | | | 8 896 |
| Public safety | 369 | – | 369 | 246 | | (123) | 66.6% | 66.6% | | | | 414 |
| Housing | 8 569 | 51 136 | 59 705 | 11 062 | | (48 643) | 18.5% | 129.1% | | | | 9 850 |
| Health | 2 809 | – | 2 809 | 2 837 | | 28 | 101.0% | 101.0% | | | | 2 704 |
| Economic and environmental services | 10 913 | – | 10 913 | 11 591 | | 678 | 106.2% | 106.2% | | | | 9 922 |
| Planning and development | 2 910 | – | 2 910 | 3 163 | | 253 | 108.7% | 108.7% | | | | 2 613 |
| Road transport | 8 003 | – | 8 003 | 8 428 | | 425 | 105.3% | 105.3% | | | | 7 309 |
| Environmental protection | – | – | – | – | | – | – | – | | | | – |
| Trading services | 966 635 | (54 300) | 912 335 | 893 775 | | (18 561) | 98.0% | 92.5% | | | | 839 740 |
| Electricity | 608 861 | (40 000) | 568 861 | 561 819 | | (7 042) | 98.8% | 92.3% | | | | 529 055 |
| Water | 239 316 | (15 000) | 224 316 | 212 281 | | (12 035) | 94.6% | 88.7% | | | | 198 083 |
| Waste water management | 68 318 | 700 | 69 018 | 68 879 | | (139) | 99.8% | 100.8% | | | | 64 665 |
| Waste management | 50 141 | – | 50 141 | 50 796 | | 655 | 101.3% | 101.3% | | | | 47 936 |
| Other | 4 828 | – | 4 828 | 4 845 | | 17 | 100.4% | 100.4% | | | | 2 415 |
| Total Revenue - Standard | 1 737 337 | 68 969 | 1 806 306 | 1 737 901 | | (68 405) | 96.2% | 100.0% | | | | 1 665 245 |
| Expenditure - Standard | | | | | | | | | | | | |
| Governance and administration | 526 701 | (2 854) | 523 847 | 437 808 | – | (86 039) | 83.6% | 83.1% | – | – | – | 409 239 |
| Executive and council | 366 399 | (7 280) | 359 119 | 284 925 | | (74 193) | 79.3% | 77.8% | | | – | 274 180 |
| Budget and treasury office | 92 131 | 2 534 | 94 666 | 87 384 | | (7 282) | 92.3% | 94.8% | | | – | 77 121 |
| Corporate services | 68 171 | 1 892 | 70 062 | 65 499 | | (4 563) | 93.5% | 96.1% | | | – | 57 938 |
| Community and public safety | 197 169 | 51 386 | 248 555 | 187 908 | – | (60 646) | 75.6% | 95.3% | – | – | – | 181 879 |
| Community and social services | 68 817 | – | 68 817 | 65 714 | | (3 103) | 95.5% | 95.5% | | | – | 60 195 |
| Sport and recreation | 41 162 | 250 | 41 412 | 41 741 | | 329 | 100.8% | 101.4% | | | – | 41 576 |
| Public safety | 48 346 | – | 48 346 | 41 396 | | (6 950) | 85.6% | 85.6% | | | – | 40 759 |
| Housing | 19 833 | 51 136 | 70 969 | 22 332 | | (48 637) | 31.5% | 112.6% | | | – | 23 114 |
| Health | 19 010 | – | 19 010 | 16 725 | | (2 284) | 88.0% | 88.0% | | | – | 16 236 |
| Economic and environmental services | 90 676 | 5 741 | 96 416 | 86 756 | – | (9 661) | 90.0% | 95.7% | – | – | – | 74 088 |
| Planning and development | 27 407 | 741 | 28 147 | 25 051 | | (3 097) | 89.0% | 91.4% | | | – | 22 893 |
| Road transport | 63 269 | 5 000 | 68 269 | 61 705 | | (6 564) | 90.4% | 97.5% | | | – | 51 195 |
| Environmental protection | – | – | – | – | | – | – | – | | | – | – |
| Trading services | 808 894 | 10 250 | 819 144 | 785 463 | – | (33 681) | 95.9% | 97.1% | – | – | – | 727 487 |
| Electricity | 526 015 | (5 500) | 520 515 | 499 206 | | (21 310) | 95.9% | 94.9% | | | – | 463 369 |
| Water | 185 596 | 6 250 | 191 846 | 183 528 | | (8 318) | 95.7% | 98.9% | | | – | 169 011 |
| Waste water management | 52 142 | 5 000 | 57 142 | 54 075 | | (3 067) | 94.6% | 103.7% | | | – | 50 636 |
| Waste management | 45 141 | 4 500 | 49 641 | 48 654 | | (986) | 98.0% | 107.8% | | | – | 44 470 |
| Other | 9 145 | – | 9 145 | 9 444 | | 299 | 103.3% | 103.3% | | | – | 9 390 |
| Total Expenditure - Standard | 1 632 584 | 64 523 | 1 697 106 | 1 507 379 | – | (189 727) | 88.8% | 92.3% | – | – | – | 1 402 082 |
| Surplus/(Deficit) for the year | 104 754 | 4 447 | 109 200 | 230 522 | – | 121 322 | 211.1% | 220.1% | – | – | – | 263 163 |

NC091 Sol Plaatje - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description R thousand | 2014/15 | | | | | | | | 2013/14 | | | |
|---|------------------|---|--------------------------|------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue by Vote | | | | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | – | – | – | 72 | | 72 | | | | | | 47 |
| Vote 2 - MUNICIPAL AND GENERAL | 300 330 | 69 024 | 369 354 | 370 215 | | 861 | 100.2% | 123.3% | | | | 387 521 |
| Vote 3 - MUNICIPAL MANAGER | 2 166 | (632) | 1 534 | 1 544 | | 11 | 100.7% | 71.3% | | | | 1 434 |
| Vote 4 - CORPORATE SERVICES | 6 552 | 1 592 | 8 144 | 7 691 | | (453) | 94.4% | 117.4% | | | | 7 275 |
| Vote 5 - COMMUNITY SERVICES | 33 457 | 2 150 | 35 607 | 33 951 | | (1 656) | 95.3% | 101.5% | | | | 34 696 |
| Vote 6 - FINANCIAL SERVICES | 411 367 | – | 411 367 | 411 060 | | (307) | 99.9% | 99.9% | | | | 379 124 |
| Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING | 8 039 | – | 8 039 | 8 258 | | 219 | 102.7% | 102.7% | | | | 5 236 |
| Vote 8 - INFRASTRUCTURE AND SERVICES | 975 425 | (3 164) | 972 261 | 905 109 | | (67 152) | 93.1% | 92.8% | | | | 849 913 |
| Total Revenue by Vote | 1 737 337 | 68 969 | 1 806 306 | 1 737 901 | | (68 406) | 96.2% | 100.0% | | | | 1 665 245 |
| Expenditure by Vote to be appropriated | | | | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | 38 247 | 200 | 38 447 | 37 615 | | (832) | 97.8% | 98.3% | | | – | 37 349 |
| Vote 2 - MUNICIPAL AND GENERAL | 311 639 | (7 480) | 304 159 | 235 505 | | (68 655) | 77.4% | 75.6% | | | – | 224 008 |
| Vote 3 - MUNICIPAL MANAGER | 16 512 | – | 16 512 | 11 806 | | (4 707) | 71.5% | 71.5% | | | – | 12 823 |
| Vote 4 - CORPORATE SERVICES | 56 621 | 1 892 | 58 513 | 55 070 | | (3 443) | 94.1% | 97.3% | | | – | 49 306 |
| Vote 5 - COMMUNITY SERVICES | 165 068 | 250 | 165 318 | 156 986 | | (8 332) | 95.0% | 95.1% | | | – | 148 305 |
| Vote 6 - FINANCIAL SERVICES | 101 510 | 2 534 | 104 044 | 96 001 | | (8 043) | 92.3% | 94.6% | | | – | 83 887 |
| Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING | 38 723 | 741 | 39 463 | 36 306 | | (3 157) | 92.0% | 93.8% | | | – | 34 148 |
| Vote 8 - INFRASTRUCTURE AND SERVICES | 904 263 | 66 386 | 970 649 | 878 090 | | (92 559) | 90.5% | 97.1% | | | – | 812 257 |
| Total Expenditure by Vote | 1 632 584 | 64 523 | 1 697 106 | 1 507 379 | – | (189 727) | 88.8% | 92.3% | – | – | – | 1 402 082 |
| Surplus/(Deficit) for the year | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |

NC091 Sol Plaatje - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

| Description | 2014/15 | | | | | | | | 2013/14 | | | |
|--|------------------|---|--------------------------|------------------|--------------------------|------------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousand | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Revenue By Source | | | | | | | | | | | | |
| Property rates | 397 946 | – | 397 946 | 398 921 | | 974 | 100.2% | 100.2% | | | | 368 225 |
| Property rates - penalties & collection charges | | – | | | | – | – | – | | | | |
| Service charges - electricity revenue | 608 853 | (40 000) | 568 853 | 561 178 | | (7 675) | 98.7% | 92.2% | | | | 528 885 |
| Service charges - water revenue | 239 315 | (15 000) | 224 315 | 211 650 | | (12 665) | 94.4% | 88.4% | | | | 200 062 |
| Service charges - sanitation revenue | 67 187 | 700 | 67 887 | 67 956 | | 70 | 100.1% | 101.1% | | | | 63 601 |
| Service charges - refuse revenue | 46 841 | – | 46 841 | 47 364 | | 524 | 101.1% | 101.1% | | | | 44 695 |
| Service charges - other | | – | | | | – | – | – | | | | |
| Rental of facilities and equipment | 17 606 | – | 17 606 | 16 374 | | (1 232) | 93.0% | 93.0% | | | | 17 795 |
| Interest earned - external investments | 12 000 | 4 000 | 16 000 | 21 165 | | 5 165 | 132.3% | 176.4% | | | | 21 413 |
| Interest earned - outstanding debtors | 45 000 | 20 000 | 65 000 | 73 077 | | 8 077 | 112.4% | 162.4% | | | | 56 744 |
| Dividends received | – | – | – | | | – | – | – | | | | |
| Fines | 7 635 | 4 000 | 11 635 | 12 011 | | 376 | 103.2% | 157.3% | | | | 11 554 |
| Licences and permits | 2 672 | – | 2 672 | 2 955 | | 283 | 110.6% | 110.6% | | | | 2 708 |
| Agency services | 4 900 | – | 4 900 | 5 038 | | 138 | 102.8% | 102.8% | | | | 4 339 |
| Transfers recognised - operational | 164 710 | 5 132 | 169 842 | 168 281 | | (1 561) | 99.1% | 102.2% | | | | 166 601 |
| Other revenue | 33 745 | 48 654 | 82 399 | 33 705 | | (48 694) | 40.9% | 99.9% | | | | 37 474 |
| Gains on disposal of PPE | – | – | – | 658 | | 658 | | | | | | 275 |
| Total Revenue (excluding capital transfers and contributions) | 1 648 410 | 27 486 | 1 675 896 | 1 620 332 | | (55 564) | 96.7% | 98.3% | | | | 1 524 371 |
| Expenditure By Type | | | | | | | | | | | | |
| Employee related costs | 547 624 | 4 000 | 551 624 | 463 301 | | (88 323) | 84.0% | 84.6% | | | – | 474 749 |
| Remuneration of councillors | 19 968 | – | 19 968 | 19 841 | | (126) | 99.4% | 99.4% | | | – | 18 459 |
| Debt impairment | 145 000 | – | 145 000 | 143 165 | | (1 835) | 98.7% | 98.7% | | | – | 126 810 |
| Depreciation & asset impairment | 52 550 | – | 52 550 | 46 081 | | (6 469) | 87.7% | 87.7% | | | – | 42 522 |
| Finance charges | 36 559 | (2 000) | 34 559 | 30 458 | | (4 101) | 88.1% | 83.3% | | | – | 28 056 |
| Bulk purchases | 422 000 | 3 000 | 425 000 | 404 461 | | (20 539) | 95.2% | 95.8% | | | – | 381 005 |
| Other materials | 87 135 | 3 600 | 90 735 | 82 513 | | (8 222) | 90.9% | 94.7% | | | – | 62 242 |
| Contracted services | – | – | – | – | | – | – | – | | | – | – |
| Transfers and grants | 54 750 | 620 | 55 370 | 58 194 | | 2 824 | 105.1% | 106.3% | | | – | 19 564 |
| Other expenditure | 266 997 | 55 303 | 322 300 | 251 712 | | (70 588) | 78.1% | 94.3% | | | – | 248 674 |
| Loss on disposal of PPE | – | – | – | 7 653 | | 7 653 | #DIV/0! | #DIV/0! | | | – | – |
| Total Expenditure | 1 632 584 | 64 523 | 1 697 106 | 1 507 379 | – | (189 727) | 88.8% | 92.3% | – | – | – | 1 402 082 |
| Surplus/(Deficit) | 15 826 | (37 037) | (21 210) | 112 953 | | 134 164 | -532.5% | 713.7% | | | | 122 289 |
| Transfers recognised - capital | 88 927 | 41 483 | 130 411 | 113 756 | | (16 655) | 87.2% | 127.9% | | | | 140 153 |
| Contributions recognised - capital | – | – | – | – | | – | – | – | | | | – |
| Contributed assets | | – | – | 3 813 | | 3 813 | #DIV/0! | #DIV/0! | | | | 721 |
| Surplus/(Deficit) after capital transfers & contributions | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |
| Taxation | | | – | | | – | – | – | | | | |
| Surplus/(Deficit) after taxation | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |
| Attributable to minorities | | | – | | | – | – | – | | | | |
| Surplus/(Deficit) attributable to municipality | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |
| Share of surplus/ (deficit) of associate | | | – | | | – | – | – | | | | |
| Surplus/(Deficit) for the year | 104 754 | 4 447 | 109 200 | 230 522 | | 121 321 | 211.1% | 220.1% | | | | 263 163 |

NC091 Sol Plaatje - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

| Vote Description | 2014/15 | | | | | | | | 2013/14 | | | |
|---|-----------------|---|--------------------------|----------------|--------------------------|-----------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Total Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousand | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Capital expenditure - Vote | | | | | | | | | | | | |
| Multi-year expenditure | | | | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | | | - | - | | - | - | - | | | - | |
| Vote 2 - MUNICIPAL AND GENERAL | | | - | - | | - | - | - | | | - | |
| Vote 3 - MUNICIPAL MANAGER | | | - | - | | - | - | - | | | - | |
| Vote 4 - CORPORATE SERVICES | | | - | - | | - | - | - | | | - | |
| Vote 5 - COMMUNITY SERVICES | 12 994 | 11 620 | 24 614 | 18 770 | | (5 844) | 76% | 144% | | | - | |
| Vote 6 - FINANCIAL SERVICES | | | - | - | | - | - | - | | | - | |
| Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING | | | - | - | | - | - | - | | | - | |
| Vote 8 - INFRASTRUCTURE AND SERVICES | 74 774 | - | 74 774 | 9 409 | | (65 366) | 13% | 13% | | | - | 9 409 |
| Capital multi-year expenditure | 87 769 | 11 620 | 99 389 | 28 179 | - | (71 210) | 28% | 32% | - | - | - | 9 409 |
| Single-year expenditure | | | | | | | | | | | | |
| Vote 1 - EXECUTIVE AND COUNCIL | | | - | 3 575 | | 3 575 | | | | | - | 1 333 |
| Vote 2 - MUNICIPAL AND GENERAL | | | - | 127 | | 127 | | | | | - | 1 030 |
| Vote 3 - MUNICIPAL MANAGER | | | - | 44 | | 44 | | | | | - | 55 |
| Vote 4 - CORPORATE SERVICES | | | - | 284 | | 284 | | | | | - | 285 |
| Vote 5 - COMMUNITY SERVICES | | | - | - | | - | - | - | | | - | 6 727 |
| Vote 6 - FINANCIAL SERVICES | 1 000 | 4 300 | 5 300 | 3 242 | | (2 058) | 61% | 324% | | | - | 3 192 |
| Vote 7 - STRATEGY ECON DEVELOPMENT AND PLANNING | 10 250 | (912) | 9 338 | 113 | | (9 225) | 1% | 1% | | | - | 5 292 |
| Vote 8 - INFRASTRUCTURE AND SERVICES | 32 164 | 104 036 | 136 200 | 162 343 | | 26 144 | 119% | 505% | | | - | 212 972 |
| Capital single-year expenditure | 43 414 | 107 424 | 150 838 | 169 728 | - | 18 890 | 113% | 391% | - | - | - | 230 886 |
| Total Capital Expenditure - Vote | 131 183 | 119 044 | 250 226 | 197 907 | - | (52 320) | 79% | 151% | - | - | - | 240 295 |
| Capital Expenditure - Standard | | | | | | | | | | | | |
| Governance and administration | 1 000 | 4 300 | 5 300 | 7 272 | - | 1 972 | 137% | 727% | - | - | - | 5 895 |
| Executive and council | | 2 500 | 2 500 | 3 745 | | 1 245 | | | | | - | 2 418 |
| Budget and treasury office | 1 000 | 1 800 | 2 800 | 3 242 | | 442 | 116% | 324% | | | - | 3 192 |
| Corporate services | | | - | 284 | | 284 | | | | | - | 285 |
| Community and public safety | 12 994 | 2 620 | 15 614 | 18 770 | - | 3 156 | 120% | 144% | - | - | - | 6 727 |
| Community and social services | 12 994 | 2 620 | 15 614 | 18 770 | | 3 156 | 120% | 144% | | | - | 6 727 |
| Sport and recreation | | | - | - | | - | - | - | | | - | |
| Public safety | | | - | - | | - | - | - | | | - | |
| Housing | | | - | - | | - | - | - | | | - | |
| Health | | | - | - | | - | - | - | | | - | |
| Economic and environmental services | 10 250 | 58 743 | 68 993 | 86 382 | - | 17 388 | 125% | 843% | - | - | - | 56 832 |
| Planning and development | 10 250 | (912) | 9 338 | 113 | | (9 225) | 1% | 1% | | | - | 5 292 |
| Road transport | | 59 655 | 59 655 | 86 269 | | 26 614 | 145% | | | | - | 51 540 |
| Environmental protection | | | - | - | | - | - | - | | | - | |
| Trading services | 94 938 | 49 881 | 144 819 | 75 869 | - | (68 950) | 52% | 80% | - | - | - | 161 666 |
| Electricity | 3 000 | 17 281 | 20 281 | 16 113 | | (4 168) | 79% | 537% | | | - | 65 072 |
| Water | 29 164 | 6 205 | 35 369 | 13 939 | | (21 430) | 39% | 48% | | | - | 20 195 |
| Waste water management | 62 774 | 24 395 | 87 169 | 43 873 | | (43 296) | 50% | 70% | | | - | 74 280 |
| Waste management | | 2 000 | 2 000 | 1 943 | | (57) | | | | | - | 2 120 |
| Other | 12 000 | 3 500 | 15 500 | 9 614 | - | (5 886) | 62% | 80% | - | - | - | 9 175 |
| Total Capital Expenditure - Standard | 131 183 | 119 044 | 250 226 | 197 907 | - | (52 320) | 79% | 151% | - | - | - | 240 295 |
| Funded by: | | | | | | | | | | | | |
| National Government | 78 677 | - | 78 677 | 60 497 | | (18 181) | 77% | 77% | | | | 99 126 |
| Provincial Government | 10 250 | 36 483 | 46 733 | 47 263 | | 529 | 101% | 461% | | | | 36 743 |
| District Municipality | | 5 000 | 5 000 | 5 996 | | 996 | 120% | | | | | 4 284 |
| Other transfers and grants | | | - | - | | - | - | - | | | | - |
| Transfers recognised - capital | 88 927 | 41 483 | 130 411 | 113 756 | - | (16 655) | 87% | 128% | - | - | - | 140 153 |
| Public contributions & donations | | | - | - | | - | - | - | | | | |
| Borrowing | | | - | - | | - | - | - | | | | 64 803 |
| Internally generated funds | 42 255 | 77 561 | 119 816 | 84 151 | - | (35 665) | 70% | 199% | - | - | - | 35 338 |
| Total Capital Funding | 131 183 | 119 044 | 250 226 | 197 907 | - | (52 320) | 79% | 151% | - | - | - | 240 295 |

NC091 Sol Plaatje - Reconciliation of Table A6 Budgeted Financial Position

| Description | 2014/15 | | | | | | | 2013/14 |
|--|------------------|------------------------------------|-----------------------------|------------------|-----------------|--|---|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28) | Final adjustments budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash | - | - | | 17 577 | 17 577 | #DIV/0! | #DIV/0! | |
| Call investment deposits | 262 936 | - | 262 936 | 257 880 | (5 055) | 98.1% | 98.1% | 320 607 |
| Consumer debtors | 226 537 | - | 226 537 | 262 184 | 35 648 | 115.7% | 115.7% | 268 622 |
| Other debtors | 240 670 | - | 240 670 | 423 405 | 182 735 | 175.9% | 175.9% | 339 202 |
| Current portion of long-term receivables | - | - | | - | - | - | - | |
| Inventory | 21 664 | - | 21 664 | 32 887 | 11 224 | 151.8% | 151.8% | 23 407 |
| Total current assets | 751 806 | - | 751 806 | 993 934 | 242 128 | 132.2% | 132.2% | 951 838 |
| Non current assets | | | | | | | | |
| Long-term receivables | 4 628 | - | 4 628 | 2 116 | (2 512) | 45.7% | 45.7% | 836 |
| Investments | | - | | | - | - | - | |
| Investment property | 190 000 | - | 190 000 | 194 624 | 4 624 | 102.4% | 102.4% | 201 756 |
| Investment in Associate | | - | | | - | - | - | |
| Property, plant and equipment | 1 377 415 | - | 1 377 415 | 1 370 810 | (6 605) | 99.5% | 99.5% | 1 235 148 |
| Agricultural | | - | | | - | - | - | |
| Biological | | - | | | - | - | - | |
| Intangible | 2 874 | - | 2 874 | 3 245 | 371 | 112.9% | 112.9% | 1 098 |
| Other non-current assets | 6 802 | - | 6 802 | 6 802 | 0 | 100.0% | 100.0% | 6 802 |
| Total non current assets | 1 581 719 | - | 1 581 719 | 1 577 596 | (4 123) | 99.7% | 99.7% | 1 445 640 |
| TOTAL ASSETS | 2 333 525 | - | 2 333 525 | 2 571 530 | 238 005 | 110.2% | 110.2% | 2 397 478 |
| LIABILITIES | | | | | | | | |
| Current liabilities | | | | | | | | |
| Bank overdraft | 12 444 | - | 12 444 | - | (12 444) | - | - | 15 408 |
| Borrowing | 11 051 | - | 11 051 | 10 882 | (169) | 98.5% | 98.5% | 13 728 |
| Consumer deposits | 18 113 | - | 18 113 | 21 848 | 3 735 | 120.6% | 120.6% | 16 684 |
| Trade and other payables | 180 679 | - | 180 679 | 190 984 | 10 305 | 105.7% | 105.7% | 192 568 |
| Provisions | 8 039 | - | 8 039 | 7 448 | (591) | 92.7% | 92.7% | 7 465 |
| Total current liabilities | 230 326 | - | 230 326 | 231 162 | 836 | 100.4% | 100.4% | 245 852 |
| Non current liabilities | | | | | | | | |
| Borrowing | 214 736 | - | 214 736 | 226 818 | 12 083 | 105.6% | 105.6% | 237 719 |
| Provisions | 287 705 | - | 287 705 | 219 683 | (68 022) | 76.4% | 76.4% | 244 316 |
| Total non current liabilities | 502 441 | - | 502 441 | 446 501 | (55 940) | 88.9% | 88.9% | 482 036 |
| TOTAL LIABILITIES | 732 767 | - | 732 767 | 677 663 | (55 103) | 92.5% | 92.5% | 727 888 |
| NET ASSETS | 1 600 758 | - | 1 600 758 | 1 893 867 | 293 109 | 118.3% | 118.3% | 1 669 590 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | |
| Accumulated Surplus/(Deficit) | 1 569 658 | - | 1 569 658 | 1 866 710 | 297 052 | 118.9% | 118.9% | 1 548 544 |
| Reserves | 31 100 | - | 31 100 | 33 402 | 2 302 | 107.4% | 107.4% | 121 046 |
| Minorities' interests | | - | | | - | - | - | |
| TOTAL COMMUNITY WEALTH/EQUITY | 1 600 758 | - | 1 600 758 | 1 900 112 | 299 353 | 118.7% | 118.7% | 1 669 590 |

Please select from list - Reconciliation of Table A7 Budgeted Cash Flows

| Description | 2014/15 | | | | | | | 2013/14 |
|---|------------------|------------------------------------|-----------------------------|------------------|-----------------|--|---|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28) | Final adjustments budget | Actual Outcome | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| R thousand | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Property rates, penalties and collection charges | 350 193 | (39 749) | 310 444 | 299 190 | (11 254) | 96.4% | 85.4% | 266 832 |
| Service charges | 889 414 | (126 985) | 762 429 | 729 327 | (33 102) | 95.7% | 82.0% | 601 530 |
| Other revenue | 63 184 | 56 028 | 119 212 | 136 357 | 17 145 | 114.4% | 215.8% | 74 866 |
| Government - operating | 164 710 | 5 132 | 169 842 | 168 281 | (1 561) | 99.1% | 102.2% | 166 601 |
| Government - capital | 88 927 | 41 483 | 130 411 | 113 756 | (16 655) | 87.2% | 127.9% | 140 153 |
| Interest | 23 250 | 57 750 | 81 000 | 94 242 | 13 242 | 116.3% | 405.3% | 78 157 |
| Dividends | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | |
| Suppliers and employees | (1 378 985) | 56 968 | (1 322 017) | (1 323 873) | (1 855) | 100.1% | 96.0% | (1 118 651) |
| Finance charges | (36 559) | 2 000 | (34 559) | (30 458) | 4 101 | 88.1% | 83.3% | (28 056) |
| Transfers and Grants | (4 750) | (620) | (5 370) | (4 910) | 460 | 91.4% | 103.4% | (4 403) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 159 384 | 52 008 | 211 391 | 181 912 | (29 480) | 86.1% | 114.1% | 177 029 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Proceeds on disposal of PPE | | | - | | - | - | - | |
| Decrease (Increase) in non-current debtors | | | - | | - | - | - | |
| Decrease (increase) other non-current receivables | | | - | | - | - | - | |
| Decrease (increase) in non-current investments | | | - | | - | - | - | |
| Payments | | | | | | | | |
| Capital assets | (131 183) | (119 043) | (250 226) | (197 907) | 52 319 | 79.1% | 150.9% | (240 295) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (131 183) | (119 043) | (250 226) | (197 907) | 52 319 | 79.1% | 150.9% | (240 295) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Short term loans | | | - | | - | - | - | |
| Borrowing long term/refinancing | | | - | | - | - | - | 64 803 |
| Increase (decrease) in consumer deposits | 1 263 | (1 263) | - | | - | - | - | |
| Payments | | | | | | | | |
| Repayment of borrowing | (15 827) | - | (15 827) | (13 747) | 2 080 | 86.9% | 86.9% | (20 303) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (14 564) | (1 263) | (15 827) | (13 747) | 2 080 | 86.9% | 94.4% | 44 500 |
| NET INCREASE/ (DECREASE) IN CASH HELD | 13 637 | (68 299) | (54 661) | (29 742) | | | | (18 766) |
| Cash/cash equivalents at the year begin: | 305 199 | - | 305 199 | 305 199 | | | | 323 965 |
| Cash/cash equivalents at the year end: | 318 837 | (68 299) | 250 538 | 275 457 | 24 919 | 109.9% | 86.4% | 305 199 |